Retirement Without Tears

The Report of the Special Senate Committee on Retirement Age Policies

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"Cast me not off in the time of old age; forsake me not when my strength faileth."
PSALMS 71:9

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Preface

On November 15, 1977, a motion was introduced in the Senate calling for the establishment of a special committee to look into all aspects of public and private policies governing retirement ages. After debating the question for several weeks the Senate approved the motion on December 7, 1977. The Committee was designated as the Special Senate Committee on Retirement Age Policies with the following terms of reference:

That a special committee of the Senate be appointed to examine and report upon

(a) the existing retirement age policies affecting workers in both the public and private sectors;

(b) the social and economic implications of mandatory retirement based on age alone;

(c) the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation;

(d) the protection for those over sixty-five against age discrimination in all employment areas; and

(e) the need for the maximum co-operation of all levels of government, labour unions, business and the public in respect of existing and future retirement age policies and retirement plans;

That the Committee have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry; and

That the Committee have power to send for persons, papers and records, to examine witnesses, to report from time to time, to print such papers and evidence from day to day as may be ordered by the Committee, to sit during adjournments of the Senate and to adjourn from place to place in Canada.

The members were appointed on December 14, 1977.

A list of the members of the Committee is shown in Appendix A. A small staff was assembled early in 1978 to conduct research in the area of retirement policy and to make plans for the future operations of the Committee including the designation of witnesses. At that time there was some speculation about the possibility of an early election and it was not thought desirable to schedule public hearings until the situation was clarified. In mid-June, 1978 letters were sent to all prospective witnesses just before Parliament recessed for the summer. The letters of invitation pointed out that, while the terms of reference concerned only retirement, it was not practical to deal exclusively with this subject and it would be necessary also to become involved in other aspects of

retirement, including income support such as social security and pensions and a number of other problems affecting the welfare of retired persons.

Before the summer recess, the research staff of the Committee had produced a series of approximately two dozen research topics. These were turned over to the Research Staff of the Library of Parliament in the hope that background papers could be produced during the summer recess for the use of members of the Committee.

Following the summer recess, the Committee was reconstituted on October 11, 1978 with the same terms of reference. The next significant action was a series of four *in camera* meetings of the Committee to hear oral reports from the different research officers of the Library of Parliament. The research papers prepared by the staff of the Library of Parliament were invaluable resource material for the members of the Committee.

Then, on November 14, 1978 public hearings began and continued until March 20, 1979 when operations were suspended as a result of the dissolution of Parliament on March 26. Usually there were two meetings a week with two witnesses but sometimes with one or three. A detailed list of the witnesses is given in Appendix B. The Committee owes a debt of gratitude to those witnesses who did extensive research and gave their expert advice unstintingly. Without their special knowledge the Committee would have been badly handicapped.

The work done for the Committee by the Department of National Health and Welfare and Statistics Canada was a major contribution and their wholehearted co-operation is much appreciated.

On behalf of the Committee I also express thanks to the small research and administrative staff attached to the Committee as well as to members of the staff of the Committees and Private Legislation Branch of the Senate who were unfailingly helpful.

David A. Croll
Chairman
November 1, 1979

Introduction

Retirement has many dimensions. For some, it is a welcome change and a new world opens up. The drudgery and the boredom of routine work vanish and new vistas of travel, recreation and freedom appear. For others, retirement is unwelcome and something to be feared. Any study must take account of the thousands of elderly people who are leading contented and well adjusted lives. But there is a darker side, for there are also thousands of old people whose lives are degraded by poverty, illness and confusion.

It is understandable that attention should be focussed on the unfortunates for this is where the opportunity is for remedies and reforms. If there is an emphasis throughout this report on the dark side it is not because of a preoccupation with gloom but rather because it is the fertile area for improvement.

Retirement is a tangled subject. It inevitably criss-crosses the problems of freedom of choice, of old age, of income and inflation and the welfare of the families of retired people. It becomes intertwined with the age distribution of the population and how it may change in the future. And all these issues must be considered and sorted out in order to face the troublesome social problems about the role of old people in society and how they are to be treated.

Surely no one wants the elderly to be pariahs in modern society. In other times and places the village elders were the lawgivers, the custodians of tradition and the conventional wisdom. In a rural setting it was easier to find a place of dignity for the old as their physical abilities waned. Today, in urban society, it is more difficult to fit old parents into a family, if, indeed this is what they want. The constraints are not only physical but financial as well. It must be one of the great social advances of this century that people are assured of an income from the state in their later years. The state has intervened in the life of the elderly in a variety of ways. But there remain inequities, inadequacies and abuses. This is why this report is being written.

The themes are sketched out in this introduction in a summary fashion. The question of retirement is looked at briefly. The income of the elderly is a basic topic along with the technical complexities of pensions and inflation. The health of old people is dealt with summarily and some observations are made on the factors that influence the success of retirement. Many recommendations for changes or reforms are made in the body of the report. One aspect of these proposals, some of which are far-reaching, is that they do not involve the expenditure of government funds. The view that the solution to the social problems examined in this report lies in the application of large sums of government money is rejected, a point that will be emphasized a number of times.

Without much fanfare, custom, law and regulation have lowered the age of retirement to 65 for many workers. One of the major influences in

modern times was the adoption of 65 as the age of eligibility for social security pensions in the United States in the mid-1930s. The main reason for this was to remove the elderly from the labour market to make way for the unemployed youth whose job prospects were negligible in the face of the Great Depression of the 1930s.

Although 65 has been a normal age for retirement, the tendency in many industries is to retire somewhat earlier. It is too early to say whether this trend will continue or whether the existence of inflationary pressures may induce people to work longer. It has been suggested as a rough guide that one-third of the workers will want to work after age 65, one-third will retire at 65 and one-third will retire early. Reliable estimates are not likely to emerge for a considerable time.

The prospect of idleness is a disagreeable one to many. As Lord Keynes once pointed out, "To those who sweat for their daily bread leisure is a longed-for sweet — until they get it."[1] To so many people, their work is a mainstay of their lives. Their status among their fellows or in the community is governed by it as well as their self-esteem. They are ill-prepared to be thrown into the discard and may, in fact, be mentally and physically capable. Mandatory retirement throws away so much that is of value and its victims resist becoming a part of a throw-away society.

From the point of view of personnel administration, there is no doubt that retirement at some fixed age (say 65) is both simple and impersonal. It does not involve the awkward process of assessing individuals when they reach some threshold to determine whether they should be retired or kept on. There is ample evidence that in some companies, people who are retired because of an ironclad rule are in effect rehired on contract if they have technical or other skills essential to the company. Examples can be found in the recent history of the federal government. It is alleged that senior executives create a special problem. There may well be reluctance to tell them that they have lost some of their drive or capacity with advancing years, so that termination at an arbitrary age solves this problem without embarrassment. Some executive jobs in industry involve so much stress that a limited tenure is in the best interests of the executive and the company. However, there is abundant evidence that the age of people and their abilities are not closely related. The aging process is highly personal and many people retain their mental and physical skills until they are very old while others begin to degenerate at relatively early ages.

The achievements of people in their later years are often remarkable. There are countless examples of men and women who have made significant and lasting contributions to society late in life. The ability of some proportion of the population to carry on effectively or possibly brilliantly after they have reached their seventies or eighties is a convincing argument against mandatory retirement at some fixed age. There is great emphasis placed on the waste of resources involved in cutting short the careers of productive men and women. In some cases

the usefulness of certain people increases with age. For example, in the academic world it has been suggested that some of the major contributions in the field of physics have been made by relatively young people while in history and philosophy older people have acquired wisdom and perspective through long experience. Whatever the truth of this, there seems to be little doubt that age is an uncertain indicator of ability.

The whole issue of the discriminatory treatment of the elderly has been reviewed by those concerned with human rights and some steps have been taken to protect the elderly. This is true at least in North America. In the United States, there were legislative changes embodied in the 1978 amendments to the Age Discrimination in Employment Act of 1967 which extended the mandatory retirement age from 65 to 70 in the private sector, (with some minor exceptions) and abolished mandatory retirement in the public service. In Canada, a number of the provinces and the federal government have undertaken to deal with age discrimination but, except for Manitoba and New Brunswick, the human rights legislation or codes do not extend legal protection beyond age 65 although the federal statute refers to the normal age of retirement. The legal situation in Canada with respect to compulsory retirement is not completely clear. Since physical power diminishes with advancing years there are legitimate grounds for mandatory retirement well before 65 for certain occupational groups. In the armed forces, for example, there are potential physical demands on the strength and stamina of combat troops that cannot be met by older age groups. The same is true of certain other groups such as firemen, miners and construction workers where hazard or physical stress characterizes the work.

In general, however, the evidence indicates clearly that in most cases mandatory retirement is not based on physical criteria or on any specific statutory requirement. The accepted use of 65 as the age of retirement has become imbedded in employment practices largely because 65 has become a normal age built into a great many private pension schemes as it is in the Old Age Security and the Canada/Quebec Pension Plan. At the very least, it is convenient for the actuaries to have a fixed retirement age such as 65 on which to base their calculations, but a number such as 62 or 67 would also serve the purpose.[2] Perhaps the arbitrariness of retirement at 65 had more of a rationale in the nineteenth and early twentieth century but as the new century approaches, the dead hand of custom is out of place. Today we are applying yesterday's answers to today's problems.

There are complex issues involved in retirement and it is simple-minded to think that all of the problems involved will be solved by giving everyone the right to retire later than 65. For some, this may be an ideal solution both from a mental and a financial point of view. They may be wedded to their job or they may not be able to afford to down their tools and head for the rocking chair. But there are others who wish

to retire before the customary ages. People who have hard, physically exacting occupations that may also involve health hazards, may reach a point where they are eager to retire early. There are others who have plans for a second career and are anxious to begin anew. There are still others whose work has become boring or repetitive or irksome for other reasons and they want freedom. The unavoidable conclusion is that workers ought to be given the maximum opportunity to choose their time of retirement. There are, however, two accompanying warnings.

If employees wish to stay on beyond the normal retirement age, whether it be 65 or some nearby age, they must have the concurrence of the employer and it must be established that the workers are worthy of their hire. It is not reasonable to propose that employees should be retained as a form of charity or because the employees cannot tolerate the prospect of amputation from their work. On the other hand, it is also not reasonable to suggest that employees who are part of a private pension plan should retire at an abnormally early age without suffering some financial penalties. The penalties flow from the arithmetic and should not be punitive.

One of the great benefits of modern democratic society is freedom of choice. Laws or conventions that impair this freedom damage the economic well-being of individuals in their role as consumers or workers. One of the major choices that should be offered to workers is the opportunity to decide whether or not to retire from their customary employment. There are many occasions where this freedom of choice is impaired. Physical disability is one instance but this is a special problem well beyond the scope of this inquiry. It is rather the rule or conventions that call for retirement at a particular age such as 65 that are unwelcome and unwarranted interference with the freedom of people to choose. This cries out for change. This does not necessarily imply that changes should be drastic in the sense that customary procedures should be abandoned overnight. There are good arguments for gradual changes that will not lead to disruption or uncertainty. This applies in particular to the question of retirement ages but not to certain other reforms where the need for change is urgent.

It is common knowledge that a social revolution has occurred quietly in the course of this century. The life expectancy of both men and women in their 60s has increased modestly and the average age of retirement has been slowly declining. The result is that, on the average, men who retire a year or so before 65 have a life expectancy of roughly fifteen years and women even longer. This is a large fraction of the human life span and yet it is a period of relative neglect compared, for example, with the early years of a person's life.

Whether the years of retirement turn out to be tranquil and productive obviously depends heavily on the personality traits of the individuals but also on their incomes and their health. Poor people in poor health are almost certain to find their retirement a period of anguish

and depression instead of the dreamed-of golden years. The first question that arises is the size and nature of the income that must substitute for the earnings before retirement.

What constitutes adequate retirement income? Generally, retired people do not need as much total income as they had during their last year of work. For example, they no longer contribute to a pension plan or otherwise save for retirement. How much less income people would need to maintain their lifestyle will vary to some extent with the income level of individuals and their living habits. The poor would need a higher percentage of their pre-retirement income than the rich. The Canadian Association of University Teachers suggested that for retired academics a pension of less than 60 per cent of their salary would be inadequate.[3] It should also be noted that the Department of National Revenue has issued guidelines that have the effect of limiting certain types of pensions to 70 per cent of terminal earnings.[4]

The coverage of private pension plans in Canada is limited. According to Statistics Canada, there were about 3.9 million participants in private pension plans at the beginning of 1976. This figure included about 39 per cent of the labour force, although if the calculation were based on full-time, employed workers the figure would be 51 per cent.[5]

There is a marked disparity in the coverage of men and women. The 1976 report of Statistics Canada on pensions shows that only 27 per cent of female workers was covered by private pension plans. On the other hand, 44 per cent of the male labour force was covered.

These figures can convey a wrong impression since what is of real significance is the proportion of retired people who are in receipt of pensions from their employers. Precise data are not available but some estimates are as low as 10 per cent. In a study in 1978 published by officials of the Department of National Health and Welfare it is stated that in 1975 only about 12 to 13 per cent of the income of individuals or couples 65 or over came from private plans.[6] In contrast, roughly 45 to 50 per cent of the income of the aging comes from Old Age Security and its supplements and about 35 per cent from investments, earnings or other income. Your Committee believes that the situation has not changed materially since 1975. The magnitude of private pensions is not impressive. Canadians have been short changed on private pensions.

A private pension plan can be judged on the basis of five characteristics: vesting; portability; funding; indexing and adequacy. It is unfortunately true that a great many pension plans are deficient with respect to most of these characteristics.

The lack of portability is largely a result of the technical problems of transferring an individual's pension benefits from one plan to another where the features of the plans may be either different or incompatible.

A number of the provinces and the federal government have laid down mandatory conditions concerning vesting. In essence, vesting means that employees have a right to any contributions to a pension fund made on their behalf by the employer. In most cases, these rules

specify that participants in pension plans must be 45 and have ten years' service with the same employer before they acquire vested rights. At the same time, vesting implies the locking in of the pension contributions so that any benefits are available only in the form of deferred annuities. It is, of course, true that the legal requirements for vesting are merely minimum conditions that must be met and often the vesting provisions in a pension plan are more liberal than the law specifies. The vesting features are serious weaknesses in many plans since they can easily impair the chances of individuals to acquire any pension entitlement. This applies to mobile workers who change their employers in order to advance their careers or for any number of reasons, before they have vested rights. The inability to meet the vesting criteria is not remarkable in view of the estimate that, on the average, workers change their jobs as often as seven times in their career. Quite possibly when it is too late, they realize that they have forfeited the chance of getting any pension at all. The other side of the coin is that if people feel themselves tied to a particular job because of the ultimate pension benefits the mobility of labour will be reduced and this may have undesirable side effects on the economy.

The most contentious and difficult aspect of private pension schemes is the actual or the possible effects of inflation. It is an unavoidable fact that rising consumer prices can impair and even destroy the value of a pension. The welfare of pension recipients is in jeopardy during a period of significant inflation. They are caught in a web from which there is no escape. This raises a problem of the utmost gravity, particularly for those with low incomes. There are several approaches to this problem. The first and most obvious one is to introduce an escalation clause or indexing arrangement that adjusts the pensions or social security payments to the Consumer Price Index issued by Statistics Canada. The second is to make so-called *ad hoc* adjustments to pensions to compensate pensioners for increasing living costs. These are usually less than the total change in the Consumer Price Index. The third is to make no adjustment for inflationary price increases, thus forcing the pensioners to carry the burden of rising costs as best they may.

The argument has been advanced forcefully by various pressure groups, employers and individuals that fully indexed pensions are not practical because of the contingent costs that might arise in the event of sharply increasing prices. Once the rate of inflation exceeds the yield on investment there are severe problems for the pension fund managers.

For many employers some limitations on indexing would therefore be essential if they are to avoid the risk of runaway pension costs that would be incurred if prices soared out of control. On grounds of financial prudence employers are fearful of a commitment that could conceivably be disastrous. The introduction of fully indexed pensions in the federal public service fuelled an argument that rapidly took on emotional overtones. On grounds of equity, it is obvious that some protective measures must be devised if pensioners are not to bear an

unfair share of the burden of inflation that will be ruinous for them unless they have other sources of income.

It can also be argued that too much attention has been devoted to the issue of indexing while the pressing problem of lack of coverage of private pension plans has suffered from relative neglect. After all, a pension that is being eroded by inflation is preferable to no pension at all.

The possibility of improving and extending the private pension plan system in an inflationary climate seems remote. Part of the problem stems from the complications arising out of inflation but another major difficulty is that many small businesses do not have the resources to finance a pension scheme for their own employees. It is hard to see how this situation will change in the near future. This must mean that, if the pension situation is to be improved in this country, the government is the logical agency to undertake the urgently necessary reforms. The principal instrument of reform is the existing contributory public pension system. No one would deny that this raises important problems of principle and administration but the issues are critical.

The number of people over 65 is growing and will continue to grow until well into the next century. This country now faces the prospect of major increases in the numbers of poverty-stricken old people. It will be a terrible blot on the conscience of the nation if these people are denied a fair share of the good things that they helped to create by their labours. It has been emphasized already that one of the keys to a successful and productive retirement is to have enough retirement income. It is of equal importance that the health and living conditions of the elderly be looked at with a critical eye.

A number of technically competent witnesses before your Committee emphasized that the field of geriatrics has suffered from relative neglect. The Canadian Medical Association has noted on several occasions that more attention should be paid in medical schools to all aspects of aging and has urged that more resources should be devoted to geriatric studies. They note that, while there has been an increase in the number of doctors whose principal interest is in geriatric medicine, the percentage of the total is small. There has also been criticism of the attitude of some members of the medical profession to the treatment of aging. For example, the Social Planning Council of Ottawa said, in 1976:

> Complicated billing arrangements, bureaucratic red tape, recorded answering systems, hurried assessments after long waiting periods in offices confused many and ultimately assisted to 'turn them off' instead of helping them to enter the health care system.[7]

The suggestion has also been made that many of the ailments of old age such as cardiovascular disorders often do not respond to therapy as dramatically as other medical problems and as a result geriatrics does not provide as satisfying a field as some other specialties. The proper medical treatment of the aging is a pressing problem and the future outlook is gloomy unless decisive action is taken in the near future.

The fundamental difficulty is that the medical problems of the aged will multiply as the population grows older. It has been estimated in testimony before your Committee that if things continue as they are there will be a need by the year 2005 for an additional 166 300-bed general hospitals to accommodate the growing number of aged sick people. There will be costs of maintaining other institutions, in addition, as well as the incalculable costs of human misery of older people who are confined to antiseptic and expensive places where they can watch their days ebbing away.

Unquestionably, it is a matter of prime importance to keep the elderly in their own homes as long as this is practical. The transplanting of the aged to new and unfamiliar surroundings, even modern and efficiently run nursing homes, can have depressing effects. People become attached to familiar surroundings and it is often a cruel thing to uproot them. Some expert testimony indicates that old people in institutions are often depressed and unhappy and find little purpose in their lives. This should not be regarded as a criticism of all institutions; there are some nursing homes which meet very high standards. But, in general, it is preferable to keep people in their own accustomed surroundings and to move them to institutions only when the amount of nursing care needed increases to a critical level.

In cases that do not involve illness, the elderly are sometimes forced to give up their homes because of their inability to carry out routine household chores. With the increasing physical frailty that comes with age, such chores as cutting the grass or shovelling snow become too arduous. In these circumstances, an imaginative program of providing periodic assistance to the infirm either by young people or old people who are physically able is greatly to be preferred to confining the elderly in institutions. The provision of home help may involve costs but it is almost certain to be much cheaper than permanent confinement in an institution. One witness with wide experience in gerontological problems, Dr. Colin M. Smith, emphasized this issue:

> The next point is related to the preservation of familiar surroundings. In general, there is an obvious need to maximize the kind of services which reach out to people in their homes and keeps them in the community and prevents institutionalization. I think there is also need for informational, legal, nutritional services to the elderly — things to keep them out of hospitals rather than things which bring them in.[8]

Although it is suggested that one of the principal reasons for the inability of the elderly to stay in their own homes is physical infirmity, it often happens that the economic burden of maintaining a house or apartment is the dominant factor. While there may be a drastic reduction in income after retirement many of the costs of running a household continue and may even increase. For example, property taxes and the costs of service calls for even minor repairs to household appliances have increased and recently the costs of home heating have skyrocketed. In these circumstances, it may be of crucial importance for retired

people to be able to earn some extra income. There is some evidence to indicate that part-time work that is often the most suitable is not as easily available as it is in some European countries. Any resources that can be devoted to improving the access of the elderly to the full-time or part-time labour market would be highly beneficial. Any obstacles to employment of the elderly should be swept away.

The opportunities for second careers or merely part-time casual employment can be greatly helped by advance planning. In part, this is the responsibility of the individual and in part the responsibility of the employer. People are unlikely to develop new skills after retirement and should start some years in advance to seek the necessary training or experience on which to base a second career. In some cases academic or practical training will be required but this must not be left to the last minute. A great deal remains to be done by employers as well. People who are about to retire should be provided with a clear statement of what their financial situation will be. Both man and wife should be included in the counselling sessions but again the pre-retirement counselling should be started long before retirement is imminent. Some authorities on the subject indicate that people do not begin to take the prospect of retirement seriously until they are in the mid-fifties. This appears to be the right age to start a planning program. Pre-retirement planning is a neglected area but one that is of critical importance to a person facing retirement.

While it is true that one of the crucial aspects of retirement depends on income, it should also be emphasized that retired people need satisfying and productive activities if their retirement is not to be a frustrating and melancholy experience. Many of the elderly have creative talents, perhaps latent, but nevertheless real. Talents or manual skills need to be nurtured and fortunately there is increasing recognition in the educational system of the need for teaching skills in the arts and crafts, for example. The explosive growth of craft activities has made available many of the materials and tools that were basically inaccessible except to skilled artisans just a few years ago.

Whether or not the elderly can develop manual skills, there are many of them who have other talents that can be used in a constructive way. In particular, their abilities can be used in teaching and in counselling, a role for the elderly that goes back to the beginning of time. The very young, the handicapped and the troubled can surely benefit from the guidance and friendship of the old. Above all, old people who are well and strong can help their less fortunate neighbours in a multitude of ways that will give their life meaning and purpose.

In conclusion, your Committee has found that retirement policies and the treatment of the aged are inadequate, often discriminatory and sometimes cruel. It is intolerable that today thousands of old people, feeling useless and rejected by society, are unnecessarily bored, ill, lonely, poor, and often living in conditions of severe privation.

The main purpose of the study has been to improve retirement policies without increasing government expenditures so that in the future Canada's elderly may live in comfort and dignity, respected and self-respecting, universally accepted as participating members of the community. Your Committee believes that the recommendations are pragmatic and forward-looking as well as compassionate, and can make such a future possible for the majority of old people in our country.

Summary of Conclusions and Recommendations

Note: At the end of each part of the report the conclusions and recommendations on the subjects discussed in the part are summarized. All these conclusions and recommendations have been assembled here to provide easy reference to the main decisions of the Special Senate Committee on Retirement Age Policies. The rationale for the findings is, of course, explained in the text.

Part I – Retirement

Conclusions

Your Committee concluded

1. that mandatory retirement based on age involves an infringement of human rights, economic waste and misconceptions about the relevance of age;
2. that the bulk of the human rights legislation in Canada is ineffectual in protecting people who are 65 and over against age discrimination since in the majority of provinces the anti-discrimination rules do not extend past 65;
3. that the exemptions permitted because of employee benefit plans have, in some cases, the effect of overriding the prohibitions against age discrimination.

Recommendations

Your Committee recommends

1. that the progressive abolition of mandatory retirement based on age become a general policy

(a) by amendments to the rules governing public servants and employees of companies under the jurisdiction of the federal government;

(b) by similar action with respect to provincial and municipal public servants;

2. that the mandatory age of retirement be increased one year at a time for five years by amending pension plans or retirement rules or conventions and that at the end of five years the concept of mandatory retirement at a particular age be abandoned completely;

3. that all human rights legislation be reviewed to eliminate any loopholes which permit age discrimination because of employee benefit and similar plans;

4. that a policy of flexible retirement become the standard for both public and private enterprises;

5. that amendments to both federal and provincial human rights legislation be sought at the earliest opportunity to minimize the possibility of discrimination based on age.

Part II – Demographic Trends

Conclusions

Your Committee concluded

1. that, while there is clear evidence that the Canadian population is aging, there is little justification for alarm over the burden which the

older segment of the population will place on the labour force in the future;
2. that the adoption of flexible retirement policies, including the progressive elimination of mandatory retirement based on age, will not have significantly adverse effects on the level of unemployment, especially among the young;
3. that in the foreseeable future greater participation by the elderly in the labour force may be welcomed as a way of alleviating shortages of labour.

Recommendations

Your Committee recommends

1. that, in view of the major institutional changes which will result from the explosive growth of those aged 65 and over early in the twenty-first century, planning be undertaken well in advance at every level of government to anticipate the problems of change;

2. that an essential element of this planning should be to ensure that the savings realized in such areas as education because of a declining younger dependent population be used to offset the increased public expenditures devoted to the older dependent population;

3. that appropriate administrative agencies be expanded at the federal, provincial and municipal levels to plan and co-ordinate the programs needed to meet the increased social and institutional demands of the aging population in transportation, homemaking services, housing and nursing homes and other areas of concern to the elderly.

Part III — The Income of the Elderly

Conclusions

Your Committee concluded

1. that any changes in the law or practice governing mandatory retirement should have no effect on the various benefits for which those 65 and over are eligible;
2. that the private pension plan system in Canada has serious shortcomings with respect to coverage, benefits, vesting, portability and indexing as well as in its treatment of particular groups in the population such as women and part-time workers;
3. that the regulations governing vesting in private pension plans are, in general, too restrictive;
4. that steps should be taken now to overhaul the public pension system in order: (a) to avoid undue burdens on the social security system in the future as the proportion of those aged 65 and over increases; (b) to provide additional income support from the Canada/Quebec Pension Plan as soon as possible;
5. that, in accordance with the principle of facilitating freedom of choice in retirement, contributors to the Canada/Quebec Pension Plan

be entitled to begin drawing an actuarially reduced pension at any time between the ages of 60 and 64.

Recommendations

Your Committee recommends

1. that for all those 65 and over no action should be taken to diminish the rights and benefits they now enjoy;

2. that, in view of the inadequacies of the private pension system in Canada, contributions under the Canada/Quebec Pension Plan be increased to 8 per cent, one-half to be contributed by the employer and one-half by the employee and the full 8 per cent to be contributed by the self-employed instead of the current aggregate level of 3.6 per cent. This recommendation involves an increase in the total contributions of 2.2 per cent annually for two years. This would mean that employers and employees each would contribute an additional 1.1 per cent per year until the total difference of 4.4 per cent is made up;

3. that employees be permitted to purchase pension entitlement at the new higher level by paying both the employer's and the employee's share for any desired period prior to the introduction of the higher contribution rates, but not to begin earlier than January 1, 1966, provided the employee earned above the required minimum for any prior year to be included;

4. that the increases in the benefits under the Canada/Quebec Pension Plan be phased in over a five-year period dating from the end of the year that the 8 per cent level of contributions is in effect;

5. that the benefits payable to those contributing at the new level be calculated on an actuarial basis for all those retiring before the payment of the higher pension level is fully effective;

6. that the expanded Canada/Quebec Pension Plan be integrated with or added to existing private pension plans at the option of the employers and the employees;

7. that early vesting, i.e. after one year, be introduced in the pension field under federal jurisdiction and that the provinces be urged to adopt this standard in areas under their control;

8. that, as a general principle, contributors to the Canada/Quebec Pension Plan should be permitted, if they wish, to take actuarially reduced pensions beginning at age 60.

Part IV — Retirement and the Economic Climate

Conclusions

Your Committee concluded

1. that inflation is one of the most serious problems facing pensioners on fixed income;

2. that inflation can rapidly reduce the purchasing power of retirement income which is not indexed or only partially indexed;
3. that it can also erode the pension credits which employees earn during employment and thereby reduce their pension benefits;
4. that this erosion does not arise under the Canada/Quebec Pension Plan, but does arise under private pension plans;
5. that private pension plans are unable or unwilling to index pension benefits, mainly because the overall rate of return on their investments may not rise by an amount corresponding to the rate of inflation;
6. that new solutions must therefore be found to protect pensioners from the ravages of inflation.

Recommendations

Your Committee recommends

1. that the ceiling under the Canada/Quebec Pension Plan (the Year's Maximum Pensionable Earnings) be raised by 50 per cent to 1 1/2 times the average industrial wage, or approximately $20,000 at current rates, so as to provide workers with a higher level of protection against inflation;

2. that the increase take place in annual increments so that the new level of the Year's Maximum Pensionable Earnings is attained by the time the total contribution level of 8 per cent is in effect;

3. that the private pension system be urged to modify the designs of its plans wherever necessary to protect the long-service employees' pension contributions by calculating pensions on the basis of final earnings or some similar variant;

4. that the provinces and the federal government take appropriate action to require all private pension plans under their jurisdiction to disclose to their participants how their funds are being invested and how they are performing.

Part V — Women and Retirement

Conclusions

Your Committee concluded

1. that the private pension system in Canada has several features which discriminate against women;
2. that the inadequacy or absence of survivors' benefits and other shortcomings of the private pension system contribute to the poverty of many elderly women;
3. that the pensions available to women under the Canada/Quebec Pension Plan are pitifully small;
4. that pension sharing is the best way of dealing with the inadequacies of pensions for housewives;
5. that the public pension system discriminates against women who are

employed by their husbands in unincorporated enterprises such as farms.

Recommendations

Your Committee recommends

1. that the federal and provincial governments and the pension industry be urged to make it obligatory for private pension schemes to provide adequately for survivors;

2. that the reciprocal and equal sharing of pensions under the Canada/Quebec Pension Plan be adopted as the best method of providing pensions for housewives and that the equal sharing of any pension entitlements earned by either spouse during any period of marriage should confirm the fact that marriage has some of the essential qualities of a partnership;

3. that the rules which bar women employed by their husbands in unincorporated enterprises from contributing to the Canada/Quebec Pension Plan be eliminated;

4. that any unfair discrimination against women in the pension field not based on accepted and sound actuarial principles should be vigorously attacked by the provincial and federal authorities responsible for human rights.

Part VI — Special Groups in the Population

Conclusions

Your Committee concluded

1. that the pension entitlements of mobile workers, seasonal workers and certain classes of self-employed workers are inadequate.

Recommendations

Your Committee recommends

1. that, with the introduction of early vesting, the pension benefits of mobile workers under private pension schemes be transferred to the Canada/Quebec Pension Plan;

2. that the fund accumulated by the Canada/Quebec Pension Plan consisting of the pension benefits of mobile workers be managed by a Crown agency consisting of representatives of the insurance industry, financial institutions and pension funds as well as the general public, with the primary purpose of investing the contributions in an efficient manner and protecting the fund against the inroads of inflation;

3. that the benefits that have accrued to individuals be made available to them on retirement in the form of annuities;

4. that the problem of inadequate or nonexistent pensions for seasonal workers be dealt with by creating a special category for such

workers under the Canada/Quebec Pension Plan with a premium and payout structure designed to meet the abnormal aspects of seasonal employment;

5. that the appropriate body or bodies provide the public with clear standardized statements of all the conditions attached to RRSPs, including administrative costs, fees for termination and any other aspect of RRSPs relevant to the investor.

Part VII — Assistance for the Aging

Conclusions

Your Committee concluded

1. that the provision of expert and dispassionate counselling services relating to legal, financial, health and family problems to the retired elderly is valuable and should be one of the primary aims of those providing social services to old people;
2. that the federal New Horizons program has made a useful contribution to the lives of older people and should be continued;
3. that one of the goals of social policy respecting the elderly should be to enable them to remain in their own homes and out of institutions to the maximum extent possible;
4. that the elderly are a valuable addition to the manpower resources of the country and special efforts should be made to use their talent and experience;
5. that the elderly should be better organized in their own interest.

Recommendations

Your Committee recommends

1. that increased resources be devoted to homemaking services, particularly by the municipalities;

2. that the federal New Horizons program should be given continued support, that maximum flexibility should be stressed, that efforts should be made to use the skills of the elderly in reaching segments of the elderly population now left out of group activities and that every encouragement should be given to projects involving social services for the elderly;

3. that policy directives should be issued by the appropriate authorities for the purpose of improving employment opportunities of those 65 and over and discouraging the elderly from leaving the labour market;

4. that the retired elderly should organize, protest and show militancy in order to improve their chances of achieving dignity, obtaining higher incomes as well as medical and other services and finding useful work.

Part VIII — Planning for Retirement

Conclusions

Your Committee concluded

1. that pre-retirement counselling can play a vital role in helping individuals adjust to the problems of retirement;
2. that much more should be done to devise and implement effective pre-retirement counselling programs in this country;
3. that intelligently conceived counselling programs to make the transition to retirement easier do not require great resources and can be carried out relatively cheaply;
4. that many workers want second careers instead of retirement either to avoid idleness or to supplement their income;
5. that, while there may be good opportunities for part-time employment for older workers, employers are reluctant to hire older workers full-time unless they have special qualifications;
6. that a relatively small number of workers aged 65 and over go to the Canada Employment and Immigration Commission for assistance, and only a few of those who apply are successful in finding work or obtaining vocational training to qualify for another job;
7. that employers could facilitate adjustment to retirement by introducing more flexible programs of graduated retirement such as, for example, longer annual holidays or shorter work weeks for workers as they approach retirement.

Recommendations

Your Committee recommends

1. that both public authorities and private companies should undertake to implement effective pre-retirement programs;

2. that the Canada Employment and Immigration Commission should take appropriate measures to ensure that its offices are better equipped to deal with older workers, including: (a) improved job training facilities; (b) a more vigorous placement program; (c) more advertising of available services;

3. that employers should introduce programs of graduated retirement such as, for example, longer annual holidays or shorter work weeks for workers approaching the age of retirement.

Part I

Retirement

1. The evolution of retirement
2. Health aspects of retirement
3. Mandatory retirement, advantages and disadvantages
4. The legal aspects of mandatory retirement in Canada
5. Retirement policies in the United States
6. A proposal for change in Canada

1. The Evolution of Retirement

In primitive communities, it is often essential that people work to wrest a living from a hostile environment until they are enfeebled by old age or illness. In such societies the concept of retirement is not familiar, mainly because there is not enough surplus production of food or other necessities to provide for unproductive members of the group. Old people whose physical powers have failed still contribute to the family by caring for and teaching the youngsters or doing light tasks which are within their physical powers.

The situation is radically different in western industrialized societies, particularly since the work ethic came to exert such an influence several centuries ago. It became the usual thing for an able-bodied person, particularly a male, to start work at an early age and to continue until he dropped. The Church provided the doctrinal support for a life of toil and held out the hope of eternal salvation as a reward. Life was brutal and, on the average, a person's life span was short.

By the middle of the twentieth century the situation had changed appreciably. Through a complex interaction of custom, law and regulations, retirement of robust people between 60 and 70 came to be accepted as a normal social process. As a result, retirement is now no longer the prerogative of the rich or the misfortune of the sickly. No stigma is attached to retirement, in contrast to the critical attitude toward the idleness of able-bodied men of any age that was once the prevailing view. Today, retirement is regarded as a kind of reward for a lifetime of labour.

Attitudes, however, vary widely. Sometimes, the freedom from routine work obligations is seen as a welcome chance to travel, to read, or to pursue leisure activities. In many cases, the need to work goes on because of the inadequacy of pension income. There are also those who derive personal satisfaction from their jobs and look on them not only as a source of income but as a source of self-respect as well. For certain personality types, the attachment to work or to a particular job becomes so strong that they find that retirement robs them of a major aspect of their lives. This calls attention to the very real need to find satisfactory substitutes for work after retirement since, for a minority, retirement can be a period of maladjustment and dissatisfaction.

One curious aspect of retirement is the extent to which 65 has become accepted as the normal age of retirement. Quite commonly, the adoption of this age is traced to some of the social legislation sponsored by Prince Otto von Bismarck, Chancellor of the German Empire between 1871 and 1890. In fact, this is an error. The German Old Age Insurance Law of 1889 established 70 as the age when benefits could begin. This was part of a series of laws passed in the 1880s including the Sickness Insurance Law of 1883 and the Accident Insurance Laws of 1884 and 1885. The number of workers living beyond 70 in the 1880s

was quite small and the legislation was designed to ensure that they would not be left destitute.

Of much greater significance in establishing 65 as the age of normal retirement was the experience of the United States in the 1930s. Because of the mass unemployment in the early 1930s there was a tendency to discharge older workers first in the interests of maintaining employment for younger workers with children. Accordingly, the Social Security Act was passed in 1935 as a cornerstone of the New Deal legislation in order to provide the elderly unemployed with some income. One of the architects of the act has reported that there was a minimum of argument about the selection of 65 as the age when social security payments could begin. This automatically involved retirement. In other words, those who were regularly employed were not eligible for the monthly old age benefits provided for under the Social Security Act. Wilbur Cohen, a former Secretary of Health, Education and Welfare, who was intimately familiar with the origins of the U.S. legislation, wrote:

> The simple fact is that at no time in 1934 did the staff or members of the Committee on Economic Security deem feasible any other age than 65 as the eligible age for the receipt of old age insurance benefits. There is, therefore, very little material available to analyze the economic, social, gerontological, or other reasons for the selection of this particular age. However, 65 was widely accepted at the time, almost without controversy, as the minimum retirement age in public and private pension plans.[1]

There were British and Continental precedents for the adoption of 65 as the age when benefits began. The British had introduced non-contributory old age pensions that started at 70 in 1908 and in 1925 began a system of contributory pensions that began at age 65. There had been a similar reduction in the age of entitlement from 70 to 65 in Germany. In Canada, the Old Age Pension Act of 1927 adopted 70 as the age of entitlement but the age was gradually lowered to 65 in the 1960s.

There can be little doubt that the U.S. legislation of 1935 had an important influence not only on the adoption of 65 as a standard retirement age but in discouraging flexibility in retirement ages. Earlier retirement was not practical in a period of extremely high unemployment and there were influential groups pressing for a reduction from 70 to 65. In other words, there was a clear consensus in the mid-thirties that 65 was an appropriate age for retirement.

With the rapid proliferation of private pension plans following the Second World War, it was perhaps natural that 65 should be incorporated in the plans as the optimum age for the beginning of pension benefits. Naturally enough, the clear implication of this was that the individual would also retire at age 65. It was not reasonable, moreover, to consider the wishes of the individual worker; he must retire when he reached pensionable age or the pension scheme would be upset. Apart from this, a good deal of administrative bother could be avoided if

individuals would simply leave quietly without the necessity of convening boards of review or devising rules for assessing the capabilities of the aging employee.

2. Health Aspects of Retirement

The reaction of individuals to retirement is a highly personal one. Some people find that retirement is a relief from drudgery or boredom and a welcome chance to enjoy leisure or some new and attractive activity. Others find that they are at a loss when they no longer have the daily routine of working to sustain them. The change in their life may impose great stress on some people whose role as productive workers has been interrupted, often suddenly. They may feel that life has lost its meaning. In turn, this can lead to nervousness, apathy, irritability, headaches and other problems. As one witness before your Committee noted, "Imaginary illnesses become real and real illnesses are magnified."[2]

The American Medical Association has stated its position clearly:

> The sudden cessation of productive work and earning power often leads to physical and emotional illness and premature death.[3]

The Canadian Medical Association is somewhat more guarded. In its testimony before your Committee, it said:

> There is some mythology in the concept of an emotional and physical state known as 'the retirement syndrome' — apathy, depression and anxiety. Generalizations can be fallacious and it would be wrong to say that retirement automatically brings declining physical and mental health, yet there is the clinical evidence that some people do suffer symptoms directly connected to changes in pattern of life. There are statistics which suggest retirement is a major contributing factor in many psychological and physiological disorders.[4]

On the other hand, Dr. George Maddox, Director of the Center for the Study of Aging and Human Development at Duke University says that the so-called trauma of retirement is "a myth without a shred of evidence to support it."[5] There is thus no unanimity of view about the effects of retirement on the health of individuals. It is evident that a good many people retire because their health is poor and it is therefore not surprising that the incidence of illness among retired people is relatively high. It does seem reasonable to believe that, if people who are working cultivate interests and activities unconnected with their work, they are apt to make the transition from work to retirement without great difficulty. On the contrary, those who are wedded to their job, whose social life is bound up with their fellow workers and who have no outside interests may find that retirement leads to loneliness and a feeling of uselessness.

There is a deep conviction in much of western society that inactivity is not an acceptable kind of behaviour although this attitude has been changed by the increasing amount of leisure available to many people, even before they have retired. For some, volunteer work can be rewarding and there are increasing opportunities for the able-bodied retired to help the less fortunate elderly or in other cases to help young people who have learning or other disabilities. How useful such activity is, so far as the mental and physical health of an individual is concerned, is

not completely clear in all cases. Certainly, there are many instances where retired people need paid employment because their income is low. If they are poor and in need, this generates anxiety which in turn may lead to illness or mental problems.

Meaningful activity is an important need for the elderly whether it be paid or unpaid. However, there is an old saying to the effect that anything that is worth doing is worth doing for money. Society, for good or ill, tends to measure the usefulness of many forms of activity by what is paid for them. The problems of the elderly in the labour force will be dealt with in more detail in another part of the report. Here, it is enough to emphasize that the work or other activity of the elderly should be of significant value to the community or to the family. Unless this is the case, old people tend to feel that they are social discards and have no useful function in life.

It must be stressed that retired people or, more generally, old people do not form a homogeneous group. Ample testimony was presented to your Committee by medical experts that old people are individuals and have distinctly different characteristics. It was repeatedly stated that there is no clear association between age in a biological sense and age in years. There are many examples of people who retain their physical and mental faculties unimpaired until they are very old. On the other hand, there are those who begin to show their years relatively early. There is an unfortunate but common tendency to dismiss the elderly as mentally incompetent or confused. Dr. Samuel Johnson observed on this point:

> There is a wicked inclination in most people to suppose an old man decayed in his intellect. If a young or middle-aged man, when leaving a company, does not recollect where he laid his hat, it is nothing; but if the same inattention is discovered in an old man, people will shrug their shoulders and say: "His memory is going."

It would be unrealistic to suggest that abilities do not diminish with age. It is easily observable that the capabilities of people decrease as they become older. Hearing becomes less acute, taste buds deteriorate and physical strength diminishes to some degree. But it is equally unrealistic to suggest that some major change happens to people on their 65th birthday and that at this point they are required to abandon their normal activities and be relegated to a state of sluggish inactivity.

It used to be the prevailing view that mental as well as other abilities declined inevitably with advancing years. The older people were, the more incompetent they were. But it has now been conclusively shown that this is not the case and that there is no clear relationship between the ability of individuals and their age in years. It is certainly true that biological aging does occur and this may well involve a loss of specific powers. However, the association between biological age and age in years is highly variable. The rate of biological aging is a personal thing and it is therefore quite inaccurate to suppose that, once individuals

have reached a specific chronological age, their ability or capacity diminishes. Deterioration may well occur, but there is no rational basis for linking it to age 60, 70, 75 or any other particular age.

Mental deterioration, if it does occur, can now frequently be treated by the medical profession. While it was common at one time to dismiss impaired memory or mental function in old people as evidence of senility, it is now regarded as better medical practice to evaluate individuals carefully. There is the possibility that the weakness is a result of a condition which can be treated. Age itself is not a pathological state and when old people show signs of abnormality they should be assessed with as much care as young people with some ailment. It is not satisfactory to dismiss the symptoms of the elderly as senility without careful and conscientious examination.

There is ample evidence to show that older workers can perform satisfactorily in many activities. A variety of studies indicates that, in some ways, older workers can perform better than their younger counterparts. The judgment, experience and safety of performance of the elderly may be an advantage. The experience of some individual companies shows that rates of sickness or absenteeism are not significantly different among older and younger workers.

This issue has been dealt with succinctly in the following assessment:

> Every reliable survey has shown that older employees are more dedicated, more dependable, more conscientious, and have less absenteeism than younger employees. They require less supervision, take their jobs more seriously, and have a greater sense of responsibility and loyalty to their employers. Their experience, more acute judgment and maturity make them more efficient. They get along better with fellow workers. They are capable of greater concentration because they are distracted by fewer outside matters such as domestic and personal problems. They have come to terms with themselves.[6]

One particular company in the United States noted:

> It takes a little longer to train an older or handicapped person to perform a particular job with maximum efficiency, but once trained, they are more dependable, have better attendance records, stay on the job longer, and do as much work as the younger or so-called normal element.[7]

The physical requirements of most jobs are well below the capacity of normal older workers although it should be recognized that some occupations in industries such as mining and forestry require strength and endurance not usually found in the elderly. A sensible personnel policy will obviously attempt to match individuals to jobs and this is usually not difficult to achieve in medium or large organizations.

3. Mandatory Retirement, Advantages and Disadvantages

It has become obvious to your Committee that the issues involved in mandatory retirement are far from simple. There are arguments for and against mandatory retirement that need to be assessed and some of these raise complex issues of social and economic policy.

It need hardly be emphasized that there have been dramatic demographic changes in the western world in the twentieth century as a result of wars, medical advances, industrialization and changes in fertility rates. The age distribution of populations, the composition of the labour force and the economic well-being of people have varied tremendously. One condition, however, has been largely unchanged over quite a long period — the requirement that workers retire at age 65 or at a nearby age.

Mandatory retirement at age 65 has been widely condemned on the grounds that this age or any other arbitrary age does not correspond to modifications in the physical or mental capacities of individuals. Elderly people insist that they do not suddenly feel differently because they have achieved some particular birthday, whether it be their 65th or 85th.

Apart from this, people do not lose their individuality merely because they have passed some chronological watershed. Their hopes, abilities and wants do not suddenly become different because they become older. It is therefore irrational to treat individuals without recognizing their diversity. The arbitrary termination of employment of a particular group aged 65 ignores their desires and their abilities. It may well be, of course, that retirement at an earlier age is indicated.

From another point of view, forced retirement may seriously damage the standard of living of the retired persons. Although the whole question of retirement income will be examined in detail later it is sufficient to note that the loss of employment income may lead to privation.

Social security payments, in general, will protect people to some extent but sole reliance on such income may entail hardship. Unfortunately, private pensions are often non-existent or small and will not prevent a disastrous drop in income. As a result, mandatory retirement often amounts to a sentence of continuing poverty.

Some individuals are mentally distressed by mandatory retirement. It is sufficient in this place to recall the earlier discussion that, for people whose lives revolve around their work and whose status depends on their role as worker, the sudden denial of further employment poses acute problems of adjustment.

A new dimension has been added to the problem of retirement with the rapid expansion of the number of women in the labour force since the Second World War. Because of the greater longevity of women, the

maintenance of mandatory retirement at age 65 becomes even less logical than in the case of men.

There has been growing emphasis in recent years on human rights both in international and domestic discussions. One of the consequences of this is the condemnation of the discriminatory treatment of individuals. Some of the most publicized issues have concerned race, the treatment of women and political views but there are also those who have vigorously condemned discrimination based on age. Again, this issue will be dealt with later and it is sufficient to note merely that the anti-discrimination issue is advanced on behalf of the aging.

The point is also made that mandatory retirement leads to a waste of manpower resources. The skill and experience of many of those forced to retire are often lost or the retired people are relegated to employment or other activities where their skills are unused or neglected. There is ample evidence to show that older employees can often perform their work as well as younger people and to deny them this right is wasteful, particularly when the capital investment in human resources is considered. The argument is sometimes used that the retirement of older workers aids in dealing with the problem of unemployment but quantitatively this is not an important consideraion. It is, moreover, illogical to argue that this aspect of retirement policy should not vary depending on whether the economy is faced with a labour surplus or a labour shortage.

The objections to mandatory retirement can be countered by other arguments which focus mainly but not exclusively on personnel management and other managerial problems.

One standard argument for the retention of mandatory retirement is that it frees avenues of promotion for younger and ambitious employees. If older employees continue in their jobs beyond what has been regarded as a normal retirement age there is a risk of stagnation in the organization as promotional opportunities shrink. Younger executives, in particular, may find their expectations frustrated and there may be some consequent drop in morale and excessive turnover. The frequency of the problem is difficult to estimate but certainly it may be a troublesome one when senior executives regard themselves as indispensable and cannot bring themselves to relinquish control.

There is little question that a mandatory retirement rule simplifies the work of the personnel managers. The termination process is automatic and when the magic age of 65 is reached, the appropriate rites are performed and the employee quietly disappears from the scene. Not always, however. It is not uncommon for a company to recognize the special qualifications or abilities of certain employees and to hire them back on contract. The niceties of the mandatory retirement rules are thus preserved but the company avoids carrying its policy to extremes.

If, on the other hand, the retirement process is not automatic, some review process must be introduced to see whether employees entering the retirement zone are still mentally and physically capable of doing

their work effectively. It is sometimes intimated that this would be difficult although it is clear that periodic assessments of employees are often begun at an early stage and continue throughout the employees' working lives. It has also been suggested that employers will often permit employees to continue for a year or so until the mandatory retirement age even though it is recognized that the performance of the employees is below standard. If the mandatory retirement age were abolished, it is argued that employers would be less generous and would retire older employees "for cause." It would be a bitter thing for an employee to be, in effect, dismissed for incompetence, after many years of service. Such an event would doubtless lead to resentment and might damage the public image of the company.

One possible by-product of a flexible retirement age policy might be to encourage litigation in cases where an employee was retired against his will. Whether the appeal was to the courts or to some other form of tribunal, it is easy to see that there might be substantial legal or administrative costs associated with retirement.

One of the real advantages of specific and well-publicized mandatory retirement ages is that people do not have any excuse for putting off their retirement planning. If they know they will surely retire on their 65th birthday it is hard for them to avoid making plans of some sort, even if they are rudimentary. Similarly, employers can develop a structured plan for pre-retirement counselling to help their employees make the transition. It there is merely a zone of retirement without a specific date, people tend to drift along, in the hope that they will be retained until the last possible moment. If they do this, there is a risk that, if they are forced to retire unexpectedly, they will be unprepared and distressed.

The introduction of flexibility in retirement ages would obviously have an effect on overall private pension costs. The net effect is difficult to judge but would be influenced by the numbers retiring before, at, or after the normal retirement age. The normal retirement age would be, in this case, the age determined in the employee benefit plan. On the other hand, there would be changes in costs associated with group life insurance and disability or health insurance but again these changes would depend on the extent of delayed retirements. If the average age of the employees were to increase, some additional mortality and some increase in health costs could be expected but it must be borne in mind that those retiring early would have an offsetting influence.

There is another set of issues related to any general change in mandatory retirement ages but these are primarily technical and administrative problems which will have to be solved.

It has already been noted that the introduction of flexible retirement ages will have an impact on pension plans, as well as group life insurance and disability or health insurance schemes. A new benefit formula would have to be developed which would apply to persons retiring at different ages. Consideration would have to be given to the accrual of

benefits and the actuarial adjustments which would be reasonable, beyond what would now be regarded as an average or normal retirement age. Similarly, actuarial computations for early retirement, defined as below average in some sense, would have to be worked out. Actuaries are guided by experience, and it would take some time to ascertain how people would behave under differing circumstances.

It should be pointed out that the tax aspects of pensions are important and that the Department of National Revenue has developed rules that would have to be taken into account. For example, benefits may not now accrue beyond age 71 nor may they be adjusted upwards actuarially for retirements after this age. Obviously, proposals for changes in the rules respecting mandatory retirement would have to be consistent with the regulations of the tax authorities.

A further complication is introduced by flexible retirement ages. This arises because the Canada/Quebec Pension Plan as well as a variety of social security payments and other benefits become effective at age 65. The conclusion of your Committee, after careful consideration of this question, was that the Old Age Security pension and its supplements and the pensions payable under the Canada/Quebec Pension Plan have become firmly imbedded in law and practice and that nothing should be done to postpone the age of eligibility for such payments. This by no means rules out the possibility of making such payments before 65 subject to the appropriate actuarial discounts.

4. The Legal Aspects of Mandatory Retirement in Canada

In recent years, the question of human rights has become an increasingly contentious issue in the internal affairs of countries all over the world as well as in international discussions. Usually, the problems are dramatic ones involving the treatment of racial, religious or political minorities. But human rights encompass discrimination of all kinds, including age discrimination. This is why human rights become so closely tied to compulsory retirement based on age. If an individual is forced to retire solely on grounds of age, this raises the question of discrimination and usually discriminatin of any kind is prohibited by statutes or other formal rules dealing with human rights. It is therefore essential to review the effects of laws or codes concerning human rights on retirement policy in Canada.

Eight of the provinces prohibit discrimination on grounds of age. These are Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Ontario and Prince Edward Island. Although Saskatchewan and Quebec do not, the commissions responsible for human rights have recommended to their governments that the laws governing human rights add age to the areas of coverage.[8] Quebec's Commission has recommended that the ban on age discrimination in the field of employment extend only to the normal age of retirement. On the other hand, the Ontario Human Rights Commission has recommended that the existing coverage be extended past the age of 65 with no upper limit.

The legal language of the statutes is technical and similar in many respects so that the text of the relevant parts of the statutes has been relegated to Appendix C.

Three important aspects of the provincial human rights legislation in relation to age discrimination are: (1) the definition of age, and therefore, the limits on the range of ages protected; (2) the exemption for *bona fide* occupational qualifications; and (3) exemptions for employee benefit or pension plans.

Under the first heading, only Manitoba and New Brunswick have no upper limit on the age at which a person is protected from discrimination. British Columbia definitely protects persons between the ages of 45 and 65 and may protect those of younger or older ages. The lack of certainty is the result of the wording of the British Columbia statute. Rather than specifying certain grounds on which discrimination is prohibited, the Human Rights Code prohibits all discrimination unless there is reasonable cause and then sets out those grounds which must not be considered reasonable cause. Specifically enumerated is discrimination based on ages between 45 and 65. This leaves open the possibility that refusal to employ, to continue to employ or to promote on the

grounds of age outside of that age bracket might be considered discrimination without reasonable cause, and therefore, unlawful.

With the exception of Nova Scotia, all of the provinces provide an exemption where age is a *bona fide* occupational qualification. Because of the way in which the legislation is worded, the British Columbia Human Rights Code does not contain an explicit exemption for *bona fide* occupational qualifications. It would appear that, given the section of the code which states that age between 45 and 65 shall not constitute reasonable cause, any discrimination on the basis of this age bracket would be unacceptable, while age could be a *bona fide* occupational qualification when the employee or prospective employee in question is 65 or over.[9]

Several Ontario cases have examined the question of age discrimination and occupational qualifications. The issue arose in 1976 in several different places in connection with the enforced retirement of firemen at age 60. Boards of inquiry were set up under the Ontario Human Rights Code to determine whether the civic officials involved had illegally discriminated against the firemen because of their age. The different boards of inquiry reached different conclusions.

However, the issue was referred to the courts and in the fall of 1979 a decision was handed down upholding the right of the authorities (in the Borough of Etobicoke, Ontario) to dismiss firemen at 60. One of the judges pointed out that 85 percent of the collective agreements covering firemen in Ontario provide for compulsory retirement at 60.[10] In view of this judgment it may be safe to assume that the problem has been effectively resolved in this particular class of occupational qualifications.

In all the provincial legislation dealt with there are provisions relating to employee benefit or pension plans which recognize that the age of the employee may be an important aspect of the operation of the plans. The following example is taken from the Ontario statute for purposes of illustration:

> S.4(9):[The age discrimination rule] does not apply to any bona fide superannuation or pension fund or plan or any bona fide insurance plan that provides life, income disability, sickness, medical or hospital payments or benefits of a monetary kind to which an employee, his survivors or dependants are or may be entitled that differentiates or makes a distinction, exclusion, or preference between employees or any class or classes of employees because of age, sex, or marital status.[11]

There has been a difference of opinion over the meaning of the exemption in a number of the provinces.

In Alberta, the exemption has been interpreted to mean that if a pension plan exists and if one of its terms requires retirement at a certain age, then such a mandatory retirement provision takes precedence over the age discrimination ban.[12]

This view has been rejected in Manitoba[13] and supported in New

Brunswick.[14] It has also been rejected in Ontario[15], although in that province, the exemption granted to retirement plans is in respect of terms and conditions of employment only, not of continuation of employment. Therefore, the Ontario view of the retirement plan exemption must be regarded as limited.

In Newfoundland, termination of employment because of the operation of a pension plan is specifically permitted.

In Alberta, a Board of Inquiry appointed under the Human Rights Act dismissed, in part, an employee's complaint of age discrimination because the Board found there was a *bona fide* retirement plan in effect which required the employee to retire at age 60 while providing her with a modest pension. The complainant was eventually successful because the retirement plan discriminated against women.[16]

In contrast to the Alberta decision was a Manitoba decision in the Flyer Industries case. The adjudicator rejected the argument that the former exemption relating to retirement plans set out in the Manitoba legislation permitted employers to establish a policy of mandatory retirement at a given age, tied to a pension plan. He declared that the Human Rights Act in Manitoba guarantees to every person the right of equality of opportunity based upon *bona fide* qualifications in respect of employment. He went on to note that this right would be rendered totally ineffective if an employer could refuse to employ an individual simply because of his or her age and that this would nullify the guarantee of equal rights of employment opportunity regardless of age.[17]

In Ontario, the Hadley case provided an opportunity for a board of inquiry to examine the retirement plans in effect for firemen in Mississauga. The board concluded, "The evidence all indicated that the pension plans themselves did not impose a rigid mandatory retirement date. Even if they had, it is most doubtful that a pension plan which forces compulsory retirement would override the prohibition set out in the Ontario Human Rights Code."

In the Flyer Industries case, the complainant was over 65 years of age, and was successful in his complaint that he had been retired solely because of his age, contrary to the Manitoba Human Rights Act. Manitoba is, as noted earlier, one of two provinces in which the legislation phohibiting age discrimination does not have an upper limit to the definition of age. In the other province, New Brunswick, the Human Rights Commission has ordered reinstatement or compensation in cases of persons over the age of 65.[18]

In British Columbia, the meaning of "reasonable cause" in relation to discrimination on the basis of age was examined by the Supreme Court of that province in a 1977 case.[19] The complainant alleged age discrimination in that he was refused entry to an apprenticeship program which was open only to persons between the ages of 18 and 25. The complainant was 31. The complainant was unsuccessful on other grounds, but the Court concluded that the Human Rights Code did prohibit unreasonable discrimination because of age at any age.

In summary, eight of the provinces have enacted legislation which in some form prohibits age discrimination.

Only two have specifically omitted any age ceiling, while the third, British Columbia, prohibits discrimination on the basis of age greater than 65 if it is unreasonable.

There appears to be a diversity of opinion about the interpretation of pension or retirement plan exemptions.

The relevant parts of the federal Canadian Human Rights Act are:

S.3: For all purposes of this Act, race, national or ethnic origin, colour, religion, age, sex . . . are prohibited grounds of discrimination.

S.7: It is a discriminatory practice, directly or indirectly,

(a) to refuse to employ or continue to employ any individual or

(b) in the course of employment, to differentiate adversely in relation to an employee, on a prohibited ground of discrimination.

S.14: It is not a discriminatory practice if

(a) any refusal, exclusion, expulsion, suspension, limitation, specification or preference in relation to any employment is established by an employer to be based on a bona fide occupational requirement.

(b) employment of an individual is refused or terminated because that individual (i) has not reached the minimum age, or (ii) has reached the maximum age that applies to that employment by law or under regulations, which may be made by the Governor in Council for the purposes of this paragraph

(c) an individual's employment is terminated because that individual has reached the normal age of retirement for employees working in positions similar to the position of that individual.

The Canadian Human Rights Act, which is the most recent of the human rights statutes in Canada, contains no definition of age. In this respect, it is similar to the legislation in Manitoba. The federal legislation does not specifically prohibit mandatory retirement as a result of the exemption for retirement at the normal age of retirement but there is no suggestion in the legislation that this normal age is 65. It can be argued that mandatory retirement is contrary to the principles of the Canadian Human Rights Act. As a matter of practice the Canadian Human Rights Commission does not normally sponsor complaints of discrimination because of mandatory retirement but confines itself to investigations of particular actions in order to establish what the normal retirement age is in particular circumstances.

5. Retirement Policies in the United States

Since 1977 there has been a surge of interest in the United States in the whole question of retirement. The United States Congress has taken decisive legislative action and naturally enough this has helped to stimulate keen interest in the subject in Canada. The recent changes in legislation in the United States arose out of the Age Discrimination in Employment Act of 1967. This law was designed to prevent discrimination in employment based on age. The protection of the law extended, in the main, to persons aged 40 to 64 and covered such things as hiring, compensation and other conditions of employment. The upper limit of 65 was adopted partly on grounds of custom and partly because this was the age when many pension benefits both public and private became payable.

However, there was increasing recognition of the fact that compulsory retirement based on age 65 was difficult to justify. In the first place it was arbitrary and it was reiterated by experts in the field that there was no demonstrable relationship between age and ability. The widespread dismissal of persons at age 65 was causing deprivation in some cases because the elderly were being denied the opportunity to earn a living. It was also noted that there were appreciable social costs because of the loss from the labour force of skilled and experienced workers.

Efforts to make specific estimates of losses resulting from mandatory retirement ought not to be taken too seriously. However, some estimates have been made. One report claimed:

> Studies on aging indicated that the mandatory retirement of willing and able employees costs the nation three-tenths of 1 per cent of its annual gross national product. This represented 4.5 billion 1976 dollars.[20]

Another figure was referred to in the House of Representatives:

> According to one estimate, mandatory retirement costs the U.S. economy over $10 billion each year by forcing skilled workers out of factories and offices, creating unnecessary job turnover and retraining expenses. If this money could be saved, it could be put toward the creation of new jobs, thus increasing total employment.[21]

There was widespread and well organized public support for the elimination of mandatory retirement.[22] In the 95th Congress no less than 167 different members sponsored legislation to change the rules concerning compulsory retirement based on age. Additional complications arose because of differing court decisions on a number of important aspects of the Age Discrimination in Employment Act of 1967. One group of issues that badly needed resolution was the relation between mandatory retirement and employee benefit or pension plans calling for retirement at a given age. It was essential to clarify the intent of Congress in this area.

It would take too long to trace the legislative history of the Age Discrimination in Employment Act Amendments of 1977 in detail. H.R. 5283 was introduced by Claude Pepper, Chairman of the House Select

Committee on Aging, in March, 1977 and reported by the U.S. House Committee on Education and Labor on July 11, 1977. Pepper was emphatic in his views and at one point stated:

> Age-based retirement arbitrarily severs productive persons from their livelihood, squanders their talents, sears their health, strains an already overburdened Social Security System, and drives many elderly persons into poverty and despair — ageism is as odious as racism or sexism.[23]

At about the same time similar legislation was under consideration by the U.S. Senate but there were some differences from the House version. After passage of the legislation in the two houses it became necessary to resolve these differences in a conference committee. Agreement was announced in March, 1978 after a compromise had been reached on the points at issue. The principal features of the amendments agreed to were:

(1) The protected age limit of the Age Discrimination in Employment Act of 1967 was raised from 65 to 70 effective January 1, 1979;

(2) Mandatory retirement for most employees of the federal government was abolished, effective September 30, 1978;

(3) Seniority systems or pension plans that require mandatory retirement at particular ages were no longer applicable to employees covered by the act. This closed an important loophole that had meant that the age discrimination features of the act could be overridden by the provisions of a pension plan;[24]

(4) Colleges and universities were to remain free to impose compulsory retirement on tenured faculty until July 1, 1982;

(5) Executives or others in high policy-making positions whose retirement benefit is equivalent to $27,000 a year are exempt;

(6) Similarly, there is an exemption applicable to employee benefit plans or seniority systems embodied in collective bargaining agreements. If the contract was in effect on September 1, 1977, mandatory retirement between the ages of 65 and 70 may be permitted until January 1, 1980 or the expiry of the contract.

Although it was evidently not written into the law, the view of a number of authorities, including the Department of Labor, was that the employers would not be compelled to provide the same pension, retirement or insurance benefits for employees who work beyond the normal retirement age as they afforded to younger workers. This is a very significant aspect of the U.S. legislation and one that deserves careful consideration.

The 1978 amendment to the Age Discrimination in Employment Act of 1967 was a major forward step in protecting older workers against being deprived of jobs solely on grounds of age, no matter whether the workers chose to continue to work on economic grounds or because they felt completely capable of continuing with their jobs and wanted to do so.[25]

It is not simple, however, to forecast the impact of the legislative changes. Claude Pepper observed:

> While we cannot know with certainty the impact of the pending legislation on pension plans, health insurance, and social security, available evidence suggests that increased costs do not necessarily follow a ban on age-based retirement. A person who works longer collects both a pension and social security for a shorter period of time and thereby reduces the drain on the pension plan of the already overburdened social security system. Banning age-based retirement may actually conserve Medicare funds. The Los Angeles City Area Agency on Aging contends that between 34 and 87 per cent of Medicare outlays are the byproduct of forced retirement. Even companies which defend mandatory retirements concede that the economic impact of pending legislation would be negligible.[26]

One estimate, attributed to the U.S. Department of Labor, suggests that somewhere between 175,000 and 200,000 persons will continue to work after the traditional retirement age has been reached. An independent writer on the subject said:

> The number of people who will actually postpone retirement during the next few years because of the new law appears to be comparatively small; but the available figures involve so many complex — and arguable — assumptions that no one can really foretell what the impact will be.[27]

Obviously, both Canada and the United States are in a statistical no man's land in attempting to prepare precise estimates of the impact of changes in the rules of retirement. It will be a long time before usable data become available.

6. A Proposal for Change in Canada

Inequities always arise when rules or standards are fixed arbitrarily and inflexibly. Sometimes children encounter this early when some arbitrary age is set for school entrance. Discriminatory treatment based on age is a common problem for young people in their teens. Often the consequences are not serious in comparison with the problems that arise out of a compulsory retirement age.

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It has already been pointed out that 65 has become a conventional age for retirement in both public and private employment although there are many deviations in both directions. By 1976 the life expectancy of a man in Canada aged 65 was 13.95 years while for a woman it was 18.0 years. These, of course, are average figures. Taking into account any retirement time prior to 65 and the life expectancy it is easy to see that some people, perhaps the majority, have somewhere between fifteen and twenty years to spend in retirement. This may amount to as much as one-third of a person's adult life. What a terrible thing it is if this period is spent in poverty, aimlessness and loneliness when there are such rich opportunities for companionship or leisure or work.

Action is essential both by people and governments to sustain the aging part of the population. Some of the constructive and humanitarian steps needed are not difficult to enumerate but obviously some of the changes can be achieved only with great good will and over a period of years.

From everything that has been said so far it is clear that the practice of mandatory retirement at a particular age is an outmoded practice which can harm both individuals and the economy. What is needed as an alternative is a zone of retirement which embodies the maximum of flexibility. Some, whose work is arduous or hazardous or is carried out in a hostile environment may understandably wish to retire early. Others may find their work distasteful or boring or repetitive, or it may interfere with plans for other ways of making a living or other lifestyles and again, commonsense dictates that they should be allowed to retire early. However, it is only reasonable that the employee benefits associated with such early retirement should take account of the actuarial realities. This does not mean that any pension reductions should be excessive but rather that appropriate account should be taken of the extra drain on pension funds anticipated because of early retirement.

At the other end of the scale, there are those who find the prospect of retirement at an age such as 65 distressing. First, they may be in their full health and vigour and capable of discharging their responsibilities effectively. Second, they may find that their prospective post-retirement income is inadequate and they therefore cannot afford to retire without a severe drop in their standard of living. Third, they may regard their work as a pivotal aspect of their lives and do not wish to face the removal of this prop.

It is therefore proposed in the strongest possible terms that mandatory retirement, particularly at age 65, be abandoned. However, precipitate action is not desirable. For example, the adoption of some other age such as 70 is not recommended. The reason for this is that the age of 65 has been built into so many employee benefit plans and has been adopted as the age of retirement by so many public and private bodies that an increase of five years at one time would have a very disruptive effect.

It is suggested as an alternative that the age of mandatory retirement be increased by one year at the beginning of each calendar year. This could be continued for a period sufficiently long to make mandatory retirement meaningless. This gradual approach is intended primarily to permit the actuaries to accumulate data on various aspects of the behaviour of employees over 65. This becomes of some importance in connection with pension benefits, group insurance and disability benefits.

In order to implement this plan the federal government and the industries under federal juridiction should begin the process of eliminating mandatory retirement ages. At the same time, formal or informal approaches should be made to the provincial authorities to modify the rules governing their own civil service employees. So far as the rest of the private sector is concerned, the change would have to depend partly on moral suasion and partly on various provincial human rights codes. This would entail an overhaul of the age discrimination features of existing legislation in order to provide the legal basis for remedial action.

There are some basic policy questions that arise out of the interaction of retirement policies and employee benefit plans. First of all, in some of the human rights statutes that have been passed in Canada there are provisions against discrimination based on age, except in Saskatchewan and Quebec, although the rules are by no means uniform. Linked to these provisions are exemptions based on the retirement age specified in the pension plans, normally 65. What the statute provides with one hand it takes away with the other if, in fact, there is an operative pension plan. An example from the British Columbia statute will make this clear. The section in question is:

> 3. No provision of this section relating to age shall prohibit the operation of any term of a bona fide retirement, superannuation, or pension plan, or the terms or conditions of any bona fide group or employee insurance plan, or of any bona fide scheme based upon seniority.[28]

What this appears to mean is that the provisions of the pension scheme override the attempts to protect the rights of individual employees in dealing with the issue of mandatory retirement. The provincial legislation is in most cases restricted in its application since the protection afforded does not usually extend beyond the age of 65. The federal legislation offers little improvement in view of the exemption specified for retirement at the "normal age."

In order to avoid any misunderstanding or confusion, it is necessary to include a specific provision in the sections of the various human rights codes concerned with age discrimination, whether they exist now or are added in the future, stating that no rules respecting employee benefit plans shall have the effect of nullifying prohibitions against discrimination based on age.

Conclusions

Your Committee concluded

1. that mandatory retirement based on age involves an infringement of human rights, economic waste and misconceptions about the relevance of age;
2. that the bulk of the human rights legislation in Canada is ineffectual in protecting people who are 65 and over against age discrimination since in the majority of provinces the anti-discrimination rules do not extend past 65;
3. that the exemptions permitted because of employee benefit plans have, in some cases, the effect of overriding the prohibitions against age discrimination.

Recommendations

Your Committee recommends

1. that the progressive abolition of mandatory retirement based on age become a general policy

(a) by amendments to the rules governing public servants and employees of companies under the jurisdiction of the federal government;

(b) by similar action with respect to provincial and municipal public servants;

2. that the mandatory age of retirement be increased one year at a time for five years by amending pension plans or retirement rules or convetions and that at the end of five years the concept of mandatory retirement at a particular age be abandoned completely;

3. that all human rights legislation be reviewed to eliminate any loopholes which permit age discrimination because of employee benefit and similar plans;

4. that a policy of flexible retirement become the standard for both public and private enterprises;

5. that amendments to both federal and provincial human rights legislation be sought at the earliest opportunity to minimize the possibility of discrimination based on age.

Part II

Demographic Trends

1. The aging of the Canadian population
2. Trends in dependency ratios
3. The burden of economic dependency, myth or reality?
4. Flexible retirement and labour force participation
5. The outlook for the future

1. The Aging of the Canadian Population

The aging of the Canadian population — the greying of Canada — is a demographic fact. The Canadian population is growing older and will continue to do so into the next century as those aged 65 and over become an increasingly larger segment of the total population. Concern has been expressed that this aging will strain the Canadian economy because it could mean substantial increases in the future tax rates on earned income in order to pay for the retirement income of the elderly. These demographic or population trends are therefore extremely important because of their possible effects on the economy and the way Canadians live.

When considering demographic trends, age 65 is usually adopted as the dividing line for measuring the size of the older dependent population. This dividing line is somewhat arbitrary since a minority of Canadians continue to work full-time well beyond age 65. However, as most people over 65 are retired, the growing size of this group is a useful indicator of the increasing retirement income burden that the working population must carry.

The numbers in the group over 65 will increase gradually until the turn of the century, after which a dramatic increase is forecast. In 1978 there were about 2.1 million Canadians aged 65 and over. By 1981 this number is expected to climb to 2.3 million; by 1986 to 2.6 million; between 1991 and 1996 to 3 million; and by 2001 to 3.4 million. After the year 2006, as the leading edge of the baby boom generation reaches 65, the increase in size of this older group will escalate. By 2031 those aged 65 and over should number between six and eight million. After that, the growth should start to fall as the lower birth rate generation of the mid-60s and 70s reaches 65.

This projected expansion of the older group is impressive when considered in relation to the population of working age. This is the group aged 18 to 64 who must carry the increased burden of supporting the elderly. The group over age 65 is projected to rise from 14.6 per cent of the working age population in 1976, to 19.9 per cent in 2011, and to 33.7 per cent in 2031.[1] This projection is based on the assumption of the fertility rate declining from 1.9 to 1.7 in 1991, net immigration of 75,000 annually, and average length of life rising slightly until 1986 to 70.2 for men and 78.3 for women. By the year 2031, therefore, there should be one person aged 65 and over for every two persons of working age, a clear indication of the growing importance of the older dependent population in the coming decades.

This problem of an aging population is not restricted to Canada, and applies even more to other industrialized countries. Indeed, the size of Canada's older dependent population is relatively smaller than that of any other industrialized country, and should continue to remain smaller for the foreseeable future. For example, in 1977, about 8.7 per cent of Canada's population was over 65. This compares to 10 per cent in

the United States, 14 per cent in France and in the United Kingdom, and 15 per cent in Sweden. By the year 2000, the percentage for Canada is projected to be about 11 per cent, which will not be as high as that reached by Sweden in 1965 and may even be lower than that projected for the United States for 1985.[2] Compared to these other developed countries Canada has a relatively youthful population and should continue to have one. This is important to bear in mind to place the Canadian problem of an aging population in perspective.

2. Trends in Dependency Ratios

An increase in the numbers of older people will mean an added economic burden on the population of working age for the support of the aged. However, this increase gives only a partial picture since what is significant is the size of the total dependent population. This includes not only the older group but also the young dependent population, which is generally taken to be the 0 to 17 age group. It is only in relation to this total dependent population that one can properly assess whether or not future population trends represent a growing economic burden on the working force.

The ratios which measure the size of the total dependent population to the size of the working age population are called dependency ratios. There are various measures but the simplest and most popular one is the population dependency ratio. This gives the ratio of the older and younger dependent population compared to the remainder of the population. This ratio has certain limitations. For example, it does not take into account the increased income support given since the mid-1960s to the older people. It is nevertheless a useful indicator of how great the economic burden of the total dependent population will be.

In marked contrast to the aging trend, the total population dependency ratio in Canada has been declining and should continue to decline well into the next century. The reason is simply that the size of the young dependent group, unlike the older dependent group, has been declining both relatively and absolutely because of the lower birth rates of the post-baby boom era. This trend is expected to continue. Consequently the older and younger dependent population together should actually decrease as a proportion of the working age population and reach an all-time low by the year 2011. Only then will the ratio start to climb back up again, reaching almost the present level by the year 2031. The projected figures are shown in Table 1.

In this table the right hand column shows the total dependent population, both young and old, as a percentage of the total population. These totals are revealing because they show the long-term decline of the total dependency ratio from 1961 to 2011, a trend which is in marked contrast to the aging trend of Canada's population. Thus, in 1961 the total dependency ratio was 87.1 per cent whereas in the year 2011 it will be only 52.4 per cent. The 0-17 column shows that during this period the young dependent group as a percentage of the total population has been decreasing continually since 1961 while the 65 and over column shows that the older dependent group has been increasing steadily.

Another important factor to consider when assessing the future burden of the older population on the work force is the participation rate of those 65 and over in the labour force. Any increase in this rate will reduce the size of the dependent population. In this way the output of goods and services would be expanded. This is in fact what has been happening in the past mainly because women have increasingly sought

Table 1

Estimated Ratios of Dependent Population to Total Population in Canada, 1931-2031

Year	Age of dependent group 0-17	65+	Total dependent population
1931	66.6	9.8	76.4
1941	56.5	11.2	67.7
1951	60.8	13.5	74.3
1961	72.8	14.3	87.1
1971	63.4	14.4	77.8
1976	53.6	14.7	68.3
1981	45.6	15.3	60.9
1986	41.9	16.1	58.0
1991	40.9	17.5	58.4
1996	39.5	18.3	57.8
2001	36.7	18.5	55.2
2011	32.5	19.9	52.4
2021	32.9	26.2	59.1
2031	33.3	33.7	67.0

Source: Health and Welfare Canada, *Retirement Age*, p. 17. (See Note 1, Part III)

employment. Women's involvement in the labour force has doubled in the past twenty-five years, with nearly half of all women now employed. Their participation could well continue to increase as more and more younger women combine domestic activities with full-time careers. If the participation rate of women does continue to increase, it should help to reduce the burden of the dependent population on the labour force.

3. The Burden of Economic Dependency — Myth or Reality?

The demographic trends show that the older dependent population will be growing in size and therefore imposing an increasing burden on the working force. This means that social security payments and public pensions will take a larger share of the workers' income. However, the growth of the older dependent population will only pose a problem after the turn of the century.

At the same time the demographic trends show that the younger dependent population will be declining and therefore imposing a decreasing burden on the working force. This means that education costs will be taking a smaller share of the workers' income. The overall burden on the working force early in the next century should become smaller than at the present time.

The aging of the Canadian population should not therefore be cause for alarm because the increasing cost of supporting the older dependent population should be more than offset by the decreasing cost of supporting the younger dependent population. This was also the conclusion reached by Statistics Canada. In evidence before your Committee, the witness from Statistics Canada stated:

> Our analysis of dependency ratios indicates that there is no cause for alarm, unless one strongly expects certain relatively 'extreme' developments relating to the birth rate or to the death rates. After examining a wide range of plausible scenarios of future patterns of fertility, mortality and migration rates we have concluded that only a substantial resurgence of fertlity rates to levels like those of the 1950's or a massive decline in mortality rates at the older ages (or both) will create serious *demographic* pressure on the national economic dependency burden.[3]

Statistics Canada consider both a substantial resurgence of fertility rates or a massive decline in mortality rates very unlikely. The United States Bureau of the Census has reached a similar conclusion for the United States.

Statistics Canada emphasizes, however, the need for caution in interpreting demographic trends. While mortality rates are fairly predictable and do not change drastically, fertility rates are considerably more uncertain and have shown extreme volatility over the past century, usually increasing in times of rapid economic development.[4] The population dependency ratios can consequently be predicted only with fairly large margins of error. For the year 1986, the error of estimate is of the order of ±5 per cent but for the year 2001, it increases to ±15 per cent. Despite these large margins of error it is safe to assume that the alarmist views that have been expressed about the aging of the Canadian population causing an intolerable burden on the working force are unwarranted. When the decreasing burden of the younger group is taken into account, the cost of supporting the total dependent population should be both tolerable and manageable.

Although the aging of the Canadian population should not be cause for panic this does not mean that the economy will not face difficult problems of adjustment. It will not be easy to divert the savings which should be realized because of a declining younger dependent population to the expenditures which will be required because of an expanding older dependent population. There will be problems, for example, in diverting the savings from lower education costs to the increased expenditures required for social security and public pensions. The closing of schools and the laying-off of teachers will create serious hardships but this appears to be inevitable. There is also the question of different jurisdictional sources of tax revenue. The tax revenue that is used to help finance education comes partly from municipal taxes and partly from provincial taxes; the tax revenue that is used for social security comes mainly from federal taxess. Any redirection of tax revenue between different levels of government will not be trouble free.

4. Flexible Retirement and Labour Force Participation

Conflicting views have been expressed over the effect of flexible retirement policies on the labour force participation rates of the older population. Will the elimination of mandatory retirement at age 65 increase substantially the participation rates of the older population? Will this increased participation worsen the employment opportunities of the young and increase unemployment? These were questions which were put to witnesses before your Committee.

The general view was that the elimination of mandatory retirement would not increase significantly the labour force participation rates of the older population for the next few years. These rates have been declining over the past twenty-five years as more and more people have sought earlier retirement. Moreover, this trend has accelerated since the beginning of the 1970s. As Table 2 indicates, 34.8 per cent of the male population aged 65 and over was in the labour force in 1953 compared to only 15.5 per cent in 1977 — a drop of almost 20 per cent in the twenty-four years. In the group aged 55 to 64 the participation rate similarly dropped appreciably from 84.2 per cent in 1970 to 76.6 per cent in 1977. Among females, the trend was somewhat different as the labour force participation rate of the group aged 65 and over increased slightly until 1965 when it reached 6.3 per cent, but declined thereafter to 4.2 per cent in 1977. In the group aged 55 to 64, there has been no discernible trend, reflecting on the one hand increased female participation in the labour force and on the other a trend towards earlier retirement.

The reasons for this long-term decline in the participation rates of the older population are complex, but one key factor is no doubt improved retirement income. During the last twenty-five years social security and pension income for the retired have improved considerably. As a result, more and more older people could afford to retire earlier.

A second important factor has been reduced opportunities for obtaining part-time work or self-employment. In the past this used to be an important employment opportunity for the older population. With technological advances, structural changes have developed in the economy which have made it more difficult to obtain this kind of employment.

The elimination of mandatory retirement is unlikely to change this long-term decline immediately in labour force participation by older people. One major reason is the present high level of unemployment. As long as this unemployment persists, employers are unlikely to provide many new job opportunities for the older population. Another reason is that there are still many people in the working force who would probably like to retire early if they had the financial means. If more generous retirement benefits were introduced these people would probably opt to leave the labour force. The witness from Statistics Canada pointed out:

> What has happened in places like Sweden, Great Britain and Germany is

Table 2

Labour Force Participation Rates for Age Groups 55-64 and 65 and over by Sex, 1953-77

Year	Males 55-64	Males 65+	Females 55-64	Females 65+
1953	86.5	34.8	12.9	3.6
1954	85.4	33.2	14.0	3.7
1955	86.1	32.3	14.7	3.9
1956	86.4	34.0	15.8	4.5
1957	87.2	34.1	18.2	5.0
1958	87.0	32.1	19.2	5.2
1959	86.8	31.0	20.1	5.2
1960	86.7	30.3	21.3	5.6
1961	86.8	29.3	23.2	5.9
1962	86.1	28.5	23.8	5.6
1963	85.9	26.4	24.6	5.9
1964	86.2	26.8	25.6	6.3
1965	86.4	26.3	27.0	6.0
1966	86.0	26.2	28.4	5.8
1967	85.8	24.7	28.6	5.9
1968	85.4	24.3	29.0	6.1
1969	85.3	23.5	30.2	5.5
1970	84.2	22.6	29.8	5.0
1971	83.3	20.0	30.9	5.1
1972	82.4	18.6	29.7	4.3
1973	81.2	18.1	31.0	4.4
1974	80.3	17.7	29.6	4.3
1975	79.4(80.1)	17.2(18.5)	30.8(29.0)	4.4(4.8)
1976	76.7	16.0	32.1	4.1
1977	76.6	15.5	32.2	4.2

Source: Health and Welfare Canada, *Retirement Age,* p.92. Figures for 1966 to 1977 are based on the Revised Labour Force Survey. Figures from the former Labour Force Survey for 1975 are shown in parentheses.

that, while they have built into their new regulations incentives for people to defer retirement, they have simultaneously liberalized the early retirement provisions. In the simultaneous liberalization of these provisions, that overhang of [potential early retirees] has fallen on them. So, first you have to drain out of our system that group of people who would want to retire for reasons of ill health and so on, but who would judge that it is not appropriate to do so because their income security would be not be adequate.

My assumption is that we will continue to have this decline [in labour force participation rates] because that overhang will manifest itself

in continued increase in the rates of retirement in the near term. We will then get down to a kind of floor which I suggest is around 15 per cent labour force participation rate for the older males [compared to the 16 per cent in 1977], and from that floor we can then begin to see rises in the participation rate that are the response to the incentives to defer retirement. That is the way I have interpreted the data from the other countries and that is the way I would expect it to happen here.[5]

Statistics Canada estimated that the elimination of mandatory retirement would probably increase the labour force particpation rate of the older population by 2 per cent once the floor was reached. In other words, if the labour force participation rate of the older male population were 15 per cent, the elimination of mandatory retirement would increase it to 17 per cent. Somewhat higher estimates were made in the United States. As mentioned earlier, the United States Department of Labor estimated that raising the mandatory retirement age would increase the labour force by about 175,000 to 200,000 persons. In the U.S. in 1978 approximately 3 million workers were 65 and over out of a total labour force of over 90 million.[6]

In the immediate future, therefore, the elimination of mandatory retirement is unlikely to increase the labour force participation of the older population significantly and thereby worsen the employment opportunities of the young. The labour force participation of the older population could however rise during the next decade when the level of unemployment is expected to come down. The present unemployment is largely a result of the recent entry of the baby boom generation into the labour force and the inability to generate sufficient new jobs to employ this swelling number of young people. Once the baby boom generation is absorbed by the mid-1980s a labour shortage could develop. At that time the older population is more likely to be welcomed in the labour force than to be viewed with concern. In the new environment, with the demand for labour high and age discrimination abolished, the participation rates of the older population could well increase.

5. The Outlook for the Future

Despite certain pessimistic predictions that have been made about the projected aging of the Canadian population, the outlook for the future can be considered bright. The growth of the population 65 and over relative to the rest need not constitute a serious burden to Canadian society. The future working age population need not be afraid that the support of a growing elderly population will be an intolerable burden on their resources.

There are several reasons for this optimistic prediction. First, as already pointed out, the cost of supporting a growing older population should be offset by the savings from the reduced expenditures on a declining younger dependent population.

Second, the cost of supporting an increasing older dependent population should also be offset by real growth in the economy. Pessimists often assume no substantial improvement in income per worker in future decades. They assume that any increase in the size of the older dependent group must mean reduced resources available to the workers. If, however, the economy continues to grow, as it surely will, real income per worker should show substantial improvement and more resources should become available to support those who are not working. From these improvements increments could be added to the pool of resources required to support the growing older population without raising the tax rates on workers' income.

Third, the aging of the Canadian population should only assume serious dimensions after the turn of the century. Until then the older population should only grow gradually. Canada has, therefore, roughly twenty-five years to make the necessary adjustments to cope with the dependency problems expected to arise after the year 2006. The essential factor is that the various levels of government should make effective use of this time to plan for the new demographic facts of the coming century.

Finally, the increasing burden of the older dependent population should be reduced by the elimination of mandatory retirement at age 65. The new environment which is envisaged for the mid-1980s on — with demand for labour high and age discrimination abolished — should result in the increased participation of older workers in the labour force. As a result of this increased participation, more goods and services will be produced to support those of the older population who are not working.

Conclusions

Your Committee concluded

1. that, while there is clear evidence that the Canadian population is aging, there is little justification for alarm over the burden which the older segment of the population will place on the labour force in the future;

2. that the adoption of flexible retirement policies, including the progressive elimination of mandatory retirement based on age, will not have significantly adverse effects on the level of unemployment, especially among the young;
3. that in the foreseeable future greater participation by the elderly in the labour force may be welcomed as a way of alleviating shortages of labour.

Recommendations

Your Committee recommends

1. that, in view of the major institutional changes which will result from the explosive growth of those aged 65 and over early in the twenty-first century, planning be undertaken well in advance at every level of government to anticipate the problems of change;

2. that an essential element of this planning should be to ensure that the savings realized in such areas as education because of a declining younger dependent population be used to offset the increased public expenditures devoted to the older dependent population;

3. that appropriate administrative agencies be expanded at the federal, provincial and municipal levels to plan and co-ordinate the programs needed to meet the increased social and institutional demands of the aging population in transportation, homemaking services, housing and nursing homes and other areas of concern to the elderly.

Part III

The Income of the Elderly

1. Social security and public pension plans
2. Private pension plans and their adequacy
3. Employment opportunities for the elderly
4. The need for improvement

1. Social Security and Public Pension Plans

Both the federal and provincial governments have established programs over the years to provide income to older Canadians. The federal government entered the old age pension field in 1927 by undertaking to pay 50 per cent of the total cost but the administration of the system was in the hands of the provinces. The benefits were meagre in comparison with current standards. The amount was a maximum of $20 a month and was payable to those 70 and over subject to a means test and other conditions. Recipients had to be British subjects resident in Canada for twenty years and their province for five years. Although the amount of the pension was increased to $40 a month by 1949 both the eligible age and the means test remained unchanged until the passage of the Old Age Security Act late in 1951. This was a watershed because it abolished any means or income test as far as the basic Old Age Security pension was concerned and liberalized the residence requirements.

Beginning on January 1, 1952 an old age pension of $40 a month was paid universally and as a matter of right to those 70 and over. This level continued until November 1, 1957. Since then there have been substantial improvements in the different schemes for the maintenance of the incomes of elderly Canadians. In 1964, the Old Age Security pension was payable to those aged 70 and amounted to $75 a month. Persons in need in the 65 to 69 age group could obtain Old Age Assistance subject to an income test. Then, beginning in 1966, the rules for the Old Age Security pension were changed by reducing the age of eligibility one year at a time until age 65. That is, in 1966, the eligible age was lowered to 69; in 1967 to 68 and so forth. The amount of the pension was prorated depending on the number of years of residence in Canada.

Despite this liberalization, large numbers of low income pensioners needed some supplementary income. This was provided in 1967 in the form of a Guaranteed Income Supplement which was and continues to be subject to an income test. Another benefit, also subject to an income test, was the Spouse's Allowance introduced in 1975. It was payable to persons aged 60 to 64 whose spouses received the Old Age Security pension.

In 1965 adjustments to Old Age Security pensions were introduced to compensate for changes in the level of consumer prices. Initially there was an annual ceiling of 2 per cent but this was changed on April 1, 1973, so that the adjustment would reflect the total price increase measured by the Consumer Price Index issued monthly by Statistics Canada. Later in 1973 the procedure was changed so that both the Old Age Security pension and the Guaranteed Income Supplement were adjusted quarterly rather than annually. Indexing for the Spouse's Allowance was also on a quarterly basis when it was introduced in 1975.

Thus, the first component or tier of the federal retirement income structure in Canada consists of the Old Age Security pension and the

associated Guaranteed Income Supplement as well as the Spouse's Allowance.

Effective October 1, 1979, the Old Age Security pension was $179.02. The maximum Guaranteed Income Supplement amounted to $146.97 a month for a single person or a married person whose spouse was not a pensioner and did not receive the Spouse's Allowance and $122.20 for each member of a married couple. The income test applicable to the Guaranteed Income Supplement reduces the supplement by $1 for every $2 of income over the Old Age Security pension.

In addition, the maximum of the Spouse's Allowance is the sum of the Old Age Security pension and the Guaranteed Income Supplement at the married rate. In October, 1979 the maximum Spouse's Allowance amounted to $301.22 a month.

When the Canada Pension plan was introduced in the mid-1960s its stated purpose was to provide workers with a graduated pension based on the pattern of their previous earnings. This was late in coming in comparison with a number of other western industrialized countries such as Germany (1891) and the United States (1935). It was emphasized that the new plan had definite advantages over the existing pension system because of regional variations in income and standards of living. The original intent was to provide reasonable minimum levels of income to contributors on retirement, the scale being 25 per cent of earnings on which contributions had been made. The Canada Pension Plan is universal although there was provision for a province with a comparable plan to withdraw. On these grounds, Quebec opted out but there was close co-ordination of the Canada and the Quebec Pension Plan for several years but a number of differences have been introduced since 1972. However, because of the essential similarity of the plans they will be referred to as the Canada/Quebec Pension Plan.

The Canada/Quebec Pension Plan became effective on January 1, 1966. The plan covers all employed persons, with certain minor exemptions, and provides retirement benefits as well as death, disability and survivors' benefits. The contribution of the employee to the system is 1.8 per cent of eligible earnings, and a matching contribution is paid by the employer. Self-employed individuals contribute at the rate of 3.6 per cent.

Contributions are based on adjustable limits. In 1966 and 1967 lower and upper limits were $600 and $5,000, but various changes were made to the ceiling until it reached $7,400 in 1975. For the period after 1975 a new formula was introduced for the Year's Maximum Pensionable Earnings, the term used to describe the maximum earnings on which the employee and employer contribution could be calculated. An amendment to the law provided that the Year's Maximum Pensionable Earnings were to be increased by 12 1/2 per cent per year until they caught up with the Industrial Composite Wage Index compiled by Statistics Canada.[1] This is a measure of average weekly wages and salaries

of industrial workers in Canada. This new approach yielded the following Year's Maximum Pensionable Earnings:

1976	$ 8,300
1977	9,300
1978	10,400
1979	11,700

The full retirement pension under the Canada/Quebec Pension Plan is 25 per cent of a contributor's average monthly pensionable earnings. Allowable earnings are adjusted in calculating pension entitlement so that they are the same proportion of maximum pensionable earnings in the year the pension starts as they were to the maximum earnings in the year they were actually earned. This is simply a method of adjusting earnings in prior years to their current equivalent. It was not until 1976, ten years after the system started, that full retirement pensions became payable.[2] The monthly benefits under the plan are indexed in accordance with the Consumer Price Index of Statistics Canada and the adjustment is made once each year.

The retirement pension is payable at age 65 or at anytime thereafter. An employee who works after age 65 may continue to contribute until age 70. Once this age is reached or a retirement pension is being paid no further contributions are permitted.

The federal pensions and other benefits paid to the elderly are increased by additional benefits in a number of the provinces. In the latter part of 1979, a single person resident in Ontario would be eligible for the Old Age Security pension of $179.02 and the Guaranteed Income Supplement of $146.97 a month (maximum) totalling $325.99. To this Ontario would contribute an extra allowance every month bringing the total to $357.23. Five other provinces have introduced what amounts to guaranteed annual income plans to help pensioners with low incomes. These provinces are: Alberta, British Columbia, Nova Scotia, Saskatchewan and Manitoba. The principal features of these plans are summarized in Table 3.

Historically, there were many social security schemes where the payment of a pension was contingent on an individual retiring completely from the labour force. There were some obvious cases where retirement was dictated by ill health and continued employment was not possible. However, even in other situations it became customary for many people to retire at 65 when their social security benefits became payable. It is somewhat surprising to note the number of major and minor benefits which begin at 65, ranging from reduced public transit fares to reduced admission prices to theatres. Your Committee has concluded that changes in rules or practices governing mandatory retirement should be completely neutral as far as major or minor social security or other benefits paid to those 65 and over are concerned. If people

Table 3

Provincial Monthly Income Guarantees (revised mid-1979)

Province	Single person $	Married couple $	Eligibility condition
Alberta	363.36	682.72	residents 65+ in receipt of OAS/GIS
British Columbia	349.16	670.00	residents 60+ who qualify under needs tests
Nova Scotia	Maximum OAS/GIS + $12.50 per month	Maximum OAS/GIS + $25.00 per month	OAS pensioners
Manitoba	312.31	579.58	residents in receipt of OAS/GIS
Ontario	349.16	678.32	residents 65+ in receipt of GIS
Saskatchewan	329.49	607.72	residents 65+

Source: Revised version of a table in Health and Welfare Canada, *Retirement Age*, p. 104.

continue to work past 65 this should have no bearing on their eligibility for Old Age Security or Canada/Quebec Pension Plan benefits[3] although obviously the income-tested supplements may be affected. These are the prevailing practices and your Committee has no desire to have them changed.

In an earlier part it has already been mentioned that any attempt to postpone eligibility for either Old Age Security or the Canada/Quebec Pension Plan, if an individual continues to work after 65, would create personal and administrative problems. These would undoubtedly be complex and would call for the creation of a bureaucratic army to keep under review the labour market activities of those over 65.

From another point of view, certain expectations have been created concerning eligibility for benefits at 65 and to change these suddenly would lead to frustration, anger and resentment. It may be regarded as anomalous that an employee who is working should receive a pension but this is a consequence of tradition and long practice.

The basic reason for leaving the benefits now available at 65 unchanged, and this is emphasized many times, is that it is highly undesirable to adopt any policy which will discourage the elderly from working. Even though one cannot predict with certainty the labour market conditions of the 1980s there is considerable evidence that older people will be a highly valued component of the Canadian labour force.

There are some problems associated with the Canada/Quebec Pension Plan but these are primarily a result of the immaturity of the system. After all, it did not come into full effect until January 1, 1966 and it is understandable that there should be some unresolved administrative and policy issues. No matter: the mechanical and technical aspects of the Canada/Quebec Pension Plan are close to ideal. The plan embodies all the desirable features of a pension plan such as immediate vesting, portability, indexing and universal coverage. The exception is that the maximum pension payable remains small, a question which will be dealt with in greater detail later.

One thorny issue concerns the payment of Spouse's Allowances to those aged 60 to 64 when the spouse receives the Old Age Security pension. The problem arose on the death of the spouse receiving the Old Age Security pension which meant that the Spouse's Allowance would be terminated after a relatively short interval. Your Committee looked into this question with some care but its recommendations were overtaken by events. The introduction of a government bill in Parliament in October, 1979 proposing changes in the rules governing the payment of the Spouses' Allowance renders the Committee's proposals obsolete and, as a result, they have been dropped.

It is, nevertheless, proposed here that contributors between the ages of 60 and 64 be entitled but not required to draw actuarially reduced pensions payable under the Canada/Quebec Pension Plan. The proposed option to grant actuarially reduced pensions between 60 and 64 may cause some concern. However, it must be stressed that the watchword of this whole report is freedom of choice in retirement. It follows logically that the right to retire early should be extended to all who wish to. It is to be understood, however, that the pension entitlement will be actuarially reduced but will not be payable before age 60. Because of the actuarial adjustment the pension fund will not suffer if someone decides to retire before the traditional age of 65.

2. Private Pension Plans and their Adequacy

Private pension plans began to be introduced in Canada on a significant scale late in the last century, but expansion of coverage was slow. By the 1920s it is estimated that there were 172 private pension plans in existence. The growth of these plans was encouraged by the rules that allowed the deduction from taxable income of contributions to pension schemes registered with the Department of National Revenue.

According to Statistics Canada, there were about 16,000 pension plans in Canada in 1976 covering roughly 39 per cent of the labour force.[4] In these plans about 91 per cent provide for retirement of males at age 65 compared to 81 per cent for females. These plans would cover about 93 per cent of male members of the plans and 82 per cent of the female members.[5]

Apart from the question of their impact on retirement age some assessment should be made of the whole system of pension plans in the private sector. There is no doubt that the system is flawed, with the result that retirement income from private pensions is seriously deficient for many elderly retired people. The first basic weakness is, of course, the fact that only 39 per cent of workers are covered by private pension plans. Private plans provided only about 13 per cent of the 1975 income of elderly couples both 66 or over compared to 52 per cent yielded by government social security payments. Investment income and earnings accounted for an additional 34 per cent.

The private pension system in Canada did not begin to grow significantly until after the Second World War. By 1976, the coverage of private plans had increased to 3.9 million. However, this is not a realistic measure of the effectiveness of private plans; it is more revealing to look at the benefits which are actually being paid to the elderly. In the brief presented to your Committee by the Department of National Health and Welfare the shortcomings of the system were spelled out. A high percentage of the elderly failed to get any benefits from the private pension system. In 1975, 81 per cent of unmarried women 65 and over, 74 per cent of the elderly unmarried man and 60 per cent of elderly couples received no private pension based on previous employment.[6]

The expansion of private plans since the Second World War means that coverage of private pension plans will probably increase in the future but there are few indications that they will overcome their gross inadequacies. The system has serious faults not only because of inadequate coverage but for other reasons. The benefits paid are, on the average, very low. There was no significant improvement between 1971 and 1975 according to Statistics Canada. Moreover, the real value of pensions fell between 1971 and 1975 and the fall has continued in the ensuing years. The index number for the Consumer Price Index whose annual average was 100.0 in 1971 had risen to the annual figure of 175.1 in 1978. The obvious effect of this change is to eat into the purchasing

power of any fixed pension in an alarming way. This issue will be dealt with in more detail in the next part.

It is evident in even the most cursory examination of the private pension system that one of its weaknesses is the treatment of women. This is such an important consideration that it will be dealt with separately in Part V. It is sufficient to note here that private pensions that make no provision for survivors' benefits leave widows in a precarious financial position. One expert in this field has estimated that only about 10 per cent of retiring employees elect to take the option of survivors' benefits.[7]

From this abbreviated examination of the private pension system in Canada, it is hard to avoid the conclusion that there are some basic weaknesses which require further exploration.

The following sections are designed to throw some light on some of the more technical aspects of pensions and the adequacy of standards of performance in existing legislation.

The view is now widely held and is certainly accepted by your Committee that pensions are essentially deferred wages. The notion that pensions are a reward for long service which reflects the benevolence of the employer is not tenable although it was a view commonly held by employers at one time. Today, pensions, both existing and prospective, are standard items to be dealt with in collective bargaining agreements. Evidence presented to your Committee by the Canadian Federation of Independent Business suggested that pension systems are not usual in small businesses because of the costs involved as well as for other reasons.[8] The view was not verified by statistical information but there does seem to be little doubt that there are wide variations in the levels of profitability of small business. Even adherence to the minimum wage laws may be hard for some of these establishments. This situation is not likely to change appreciably so that it is probable that large numbers of employees of small business will not have any pension income from private sources after their retirement. Nor does the adjustment of pensions in this sector to offset the eroding effect of rising prices seem likely.

The concept of vesting is crucial in any discussion of pension systems and it is important to understand what it means. Contributions to a pension scheme are vested in the employee when the share contributed by the employer becomes the property of the employee. As a general rule, vesting does not occur until an employee has some minimum number of years of service and has reached a specified age. The specific rules are set out in pensions standards legislation in six of the provinces and the federal government as well. It is commonly provided in the legislation that the employee must have at least ten years service with the same employer and be 45 years old. These are minimum standards and many pension systems have more liberal vesting provisions. Once a pension vests in an employee, it is normally locked in as well which simply means that employees may not withdraw contributions if they

change jobs. The benefit is available only in the form of a deferred annuity.

If, of course, the pension contributions are not vested in an employee, the employee's share can be withdrawn. It is the impression of your Committee that many people, particularly young people, withdraw their contributions when this is permissible and are prepared to waive any rights they might have to the employer's contributions. This obviously reflects the employee's need for cash or at least a greater esteem for it than some distant benefit in the form of a deferred annuity. Individuals have their private discount rates in the same way that banks and other moneylenders do and sometimes the discount rates are remarkably high. Nor is the esteem for liquidity the exclusive preserve of young people. This attitude has been strongly reinforced by inflationary price movements in the last few years. It does not require an actuary to recognize that some monetary benefit payable twenty or thirty years in the future may waste away in an inflationary period. This whole issue was discussed in *The Second Report of the Ontario Committee on Portable Pensions* (August, 1961):

> The proneness to withdraw cash reflects not only the fear of inflation and the use of savings for a "rainy day" . . . , but also the desire for more spending money with a view to providing more enjoyment for the individual and his family or friends. The reference to his family serves as a reminder that other members of a family may be less concerned for a breadwinner's retirement than he is, and that some older breadwinners may be grateful for a system of saving which, though coercive, achieves results without involving them in household conflicts over trimming the family budget to provide savings. (p. 37)

The fundamental weakness of the present rules for vesting arises out of the mobility of Canadian workers. There are large numbers of employees who do not remain with a single employer for the ten-year period to permit them to acquire vested rights.[9] This does not apply only to employees whose work is by nature itinerant but to others who, because of layoffs, better job opportunities, or boredom, move from one employer to another with an average job duration of less than ten years. It has been estimated that on the average Canadian workers make seven job changes in the course of their working lives. This creates a difficult problem because such workers are not able to accumulate pension benefits and when the time for retirement comes they may not be entitled to much more than a warm handshake.

It might be suggested that this problem could be overcome by thrifty behaviour. This is doubtless applicable in certain cases but usually to individuals whose incomes are relatively high. It is not realistic to suggest that any but a small proportion of the total work force has sufficiently high incomes to set aside the amount required to provide a capital fund large enough to yield a pension of respectable proportions. This is a problem which has implications for society as a whole. Pesando and Rea have summarized the problem in a few words:

> If an individual fails to accumulate sufficient savings to provide an adequate income for himself during his retirement years, taxpayers as a whole will effectively subsidize his retirement income.[10]

The importance of this observation can hardly be overstated. There are particular groups of workers who will have little opportunity to accumulate any pension rights under present vesting rules, namely those who do not remain in one job long enough. It is therefore essential that the vesting rules be liberalized. This is by no means a novel idea although often the proposals go no further than suggesting fairly modest changes. In other cases, it has been proposed that immediate vesting be adopted as a general rule. This can hardly be regarded as a radical move since it is an integral feature of the Canada/Quebec Pension Plan. While your Committee is convinced that earlier vesting is desirable, it is also impressed with the large amounts of paperwork and the trivial amounts of money involved if the period of vesting is less than one year. Although it is not known whether the practice is standard, it may be common to have a probationary period of one year with the result that turnover in the first year is very high. In any case, your Committee feels that vesting should occur after one year and that the age criterion should be abandoned.

Obviously the problems of vesting and portability are intertwined and have the greatest impact on workers whose employers change. Whether or not the pension has vested in the employee, the chances are small that the pension is portable in the sense that the pension rights can be transferred from one employer to another. It is true that such arrangements do exist but they are most common in agreements between governments or between governments and certain classes of employers such as universities. The federal government has about 120 reciprocal agreements in force that, of course, facilitate the interchange of employees.[11] Portability between private employers is usually impractical because of differences in the pension schemes except in certain cases where there are industry-wide pension systems. Where these exist, the employee's pension can move with him as he transfers from one employer to another within the group. Obviously, the extent to which industry-wide schemes can solve the portability or transferability problem is quite limited. It should be noted that the introduction of very early vesting will effectively solve the portability problem.

It is difficult to distinguish clearly between the effects of vesting and portability but, in combination, these two factors have combined to impair seriously the effectiveness of the private pension system. The Canadian Labour Congress has been quoted as saying that only 4 to 10 per cent of members of private pension plans ever receive a full pension.[12] Another critic has noted:

> If one had to single out the issue that creates the maximum discontent with the private pension system it would be the question of portability and the related matter of vesting arrangements.[13]

There has been a variety of suggestions made for the improvement of

private pension plans over the last few years but the obstacles are formidable. Even if reforms can be achieved through union pressure or through changes in the legislation governing pension standards there will remain a large proportion of employees who will be left out. These are the people who work for employers who do not have any pension plan because they cannot bear the costs involved.

The general conclusion reached by your Committee is that the private pension system in this country is faulty, partly because its coverage is inadequate and partly because the rules and practices relating to vesting and portability are unsatisfactory. There is also another issue of great importance. This is the problem of protecting pensions from erosion by inflationary price movements. There appears to be a general reluctance in private pension plans to offer any guaranteed protection in this area. However, this whole matter is of such vital concern that it is dealt with separately in Part IV.

3. Employment Opportunities for the Elderly

In Part II a summary analysis was given of trends in the dependency ratio, that is, the proportion of the population not in the labour force to the working population. It was noted there that some analysts had expressed concern over the growing number of people 65 and over and the resultant tax burden on younger workers. Clearly this tax burden will be reduced to the extent that those over 65 remain in the labour force and therefore continue as taxpayers. Your Committee rejects categorically the idea that its motive in recommending changes in practices governing mandatory retirement is related to concern over the tax burden or to other actuarial considerations. The analysis in Part II, Chapter 3 indicates that such concern is unnecessary.

On the basis of the various surmises that have been made about the numbers who would continue to work beyond 65, the effect on the tax burden would not be appreciable in the near future. Nevertheless, as the number of persons 65 and over continues to grow over the next fifty years there may be increasing demands for employment opportunities from the elderly. Three factors may have a bearing on this.

The first concerns inflation, if indeed the price system as it is now known continues to function. It seems inevitable that social security or pension benefits, whatever their level, will not satisfy everybody and there will be a demand for supplementary jobs and income.

The second concerns the enormous demands for services which will be generated by the elderly as the next century approaches. There will be urgent requirements to help the ill and the feeble and in many instances these can be met by the healthy elderly.

The third depends on the progress which is made in the field of gerontology. If there is substantial medical progress, the numbers of healthy and competent old people will grow tremendously and will constitute a specialized and valuable addition to the labour supply.

It is abundantly clear that one important policy objective is to keep people in the labour force. This is not only appealing as a short-run measure to lower the level of unemployment but, as noted earlier, it could have desirable effects on the dependency ratio by decreasing the burden of supporting the aged on the working components of the population.

4. The Need for Improvement

Despite all that has been said about the complex network of income support measures both public and private, there is ample evidence to show that the economic situation of many old people is grim. In 1977 the average income of individuals 65 and over was $5,153 and the average income of all families and individuals whose head was 65 and over was $8,702. In contrast, the figure for all families and individuals for all age groups was $16,602.[14] Large numbers of those 65 and over had incomes in 1977 which were below the poverty line, however defined. There are several measures of the poverty line, three of which are listed for 1977:[15]

	Unattached individuals	Couples
Statistics Canada (revised)	$4,083	$5,752
Canadian Council on Social Development	4,189	6,972
Special Senate Committee on Poverty	4,692	7,809

Statistics Canada in its 1977 study of income distribution has assigned to the low income category, those below the poverty line, the following percentage of the elderly unattached individuals:

65 to 69	50.3 per cent
70 and over	63.2 per cent

These statistics may be subject to errors of one kind or another but it is impossible to avoid the conclusion that there is a distressing degree of poverty among those 65 and over.

The position of persons aged 60 to 64 was just as bad. According to testimony presented to your Committee by the Honourable Monique Bégin, Minister of National Health and Welfare at the time, 44 per cent of unattached retired persons, mainly widows in the 55 to 64 age group, were living in poverty.[16] The Minister emphasized the special problems of women and pensions. The fact is that in 1975 more than two-thirds of all unmarried women 65 and over, amounting to 400,000, were living in poverty. About 48 per cent of them had an income below $3,000 in in 1977. The corresponding figure for males was 21.6 per cent. It is apparent from this brief analysis that the retirement income system has failed and the failure is especially dismal with elderly women.

It is a tragedy for them and a blot on the national conscience that so many old people are being denied a reasonable share of the good things produced in a wealthy and dynamic economy. And yet this is what is happening in Canada. If the present situation is a regrettable one, it should also be borne in mind that the magnitude of the problem will certainly increase unless some remedial action is taken.

The new century is looming and one of the vital issues which must

be faced in the next twenty years is whether Canadian society is prepared to tolerate a growing number of poor old people. One of the difficulties is that the longer decisive action is postponed the more massive the problem will become. However mysterious the arithmetic of compound interest is to the ordinary person, it is the instrumentality which has led to the great accretions of wealth in the western world, and it is the key to the economic well-being of the elderly in the next century. It takes time for compound interest to make its impact and it is therefore essential that action be taken in the immediate future if the accumulations of small pension contributions are to come to fruition in the next century. It is natural enough that many people, particularly young people, discount heavily some benefit that is far distant. Their needs for ready cash are immediate and pressing. Despite this, some mechanism must be developed which will provide for them in their older years. In times past, the received doctrine was that people should be thrifty and put away a nest egg for their period of retirement, if it ever came. This never was a realistic approach for the poor. It has become increasingly unrealistic for others in view of the wasting effect of rising prices. The limitations of private saving have been matched by the inadequacies of the private pension system.

Ever since the early 1960s there has been a series of critiques of the private pension system sponsored both by official and private bodies. There is no question that there have been improvements, particularly in establishing vesting rules and regulations for the funding of pension obligations. However, the critical observations made here about the coverage and characteristics of private pension systems make the defects of the systems obvious.

First, progress in achieving better coverage is slow and it is almost certain that substantial numbers of employees will be left out. There is no time to be lost because the post-war bulge in the population is moving inexorably towards retirement age, whatever that age may be.

Second, even if there is drastic liberalization of the provisions for vesting and portability, employers would find it difficult to deal with mobile or itinerant workers. With very short vesting periods the record keeping burden would be heavy and the eroding effect of inflation harmful.

Third, there are many private pension schemes that are not able to meet the criteria desirable in a pension plan. In particular, the view is widely held that many employers cannot afford to index pensions, if, indeed, they can afford pensions at all. This matter is dealt with in Part IV and it is sufficient to note here that a pension that is not indexed is, or may be, a slender reed.

The general conclusion is that, rather than attempt to extend and revise the private pension system, the Canada/Quebec Pension Plan should become the principal vehicle for reforming the Canadian pension system. It should be reiterated that the Canada/Quebec Pension

Plan has many highly desirable features. It embodies immediate vesting, portability, indexing and covers nearly all paid workers, as well as the self-employed.

The principal weakness of the Canada/Quebec Pension Plan is that the amount of pension it provides is limited. As noted earlier the maximum monthly pension was $218.06 in 1979 and while this will increase as the plan matures the amount will be restricted so long as total contributions remain at 3.6 per cent. In order to provide ultimately for a substantially higher pension level it is proposed that both the employee's and the employer's contribution be increased to 4 per cent, making a total of 8 per cent, compared with the present level of 3.6 per cent. If no other changes were made in the structure of the Canada/Quebec Pension Plan it may be assumed that the approximate doubling of the contribution levels would yield a pension of roughly twice the size of present levels, or about $450 per month.

How this proposed increase to a total of 8 per cent is to be achieved is something your Committee considered carefully. A number of options were examined. The first was to impose the increase of 2.2 per cent for employers and employees all at once. It was felt, however, that an immediate increase might have a disruptive effect. Consideration was also given to introducing the increase in small increments at six-monthly intervals spread over two and one-half or three years but this approach was rejected since it would lead to administrative confusion and delay. It was felt by your Committee that the most promising approach is to introduce the increases over a two-year period. An increase of 1.1 per cent for two years for both employers and employees has a number of advantages. The initial increases are relatively small and yet it does not take unduly long to achieve the new level of contributions.

Two points should be noted. The first is that if the increase is felt to be too great a burden where contributions are also being made to a private pension plan, some modification in the level of contributions to the private plan could be considered. The second is that there would be administrative advantages in phasing in the increases over a whole number of years because of the tie in of the contributions with income tax returns. It is further suggested that the proposed changes in the payment of increased pension levels be phased in over a five-year period. This would mean that once the increased contributions had achieved the level of 8 per cent, the higher level of pensions could begin. While the precise amounts payable to employees retiring after one year, two years, three years and so on would have to be computed on an actuarial basis, the full increase would be payable to employees who had contributed for five years at the maximum rate.

A related proposal is that individuals should be permitted to make their pension contributions at the higher level retroactive to the beginning of 1966. This means that employees would have to contribute both their share and the employers' share totalling 4.4 per cent of eligible earnings plus interest for as many years as they wished entitlement, on

the condition that they could not buy back any pension entitlement prior to 1966. No government contribution would be involved. This proposal is similar to that in effect for public servants who were permitted to contribute for their years of war service in calculating their years of pensionable service.

No one will deny that this series of proposals constitutes interference by the government in the decisions of private individuals about their patterns of saving and spending. They are reminiscent of one of the wartime income tax measures that imposed forced saving on the Canadian people, for a short period at least. These forced savings were repaid early in the post-war period.

To undertake comparable action now can be justified only on the grounds that it is essential for the economic well-being of the country in the future. The working people of today cannot live from hand to mouth hoping that the twenty-first century will take care of itself. By that time, they will be the elderly and the retired and will without question expect that their needs will be looked after. This will only happen if people are prepared now to set aside savings that will multiply and provide them with an acceptable standard of living in a future that comes closer every day.

It should also be emphasized that one of the reasons for the expansion of the public pension system is to provide more leeway for the income maintenance of housewives, an issue which will be dealt with in detail in Part V.

Increases in payroll deductions are never very popular, but it is important to maintain some perspective on the proposal to increase the total contribution to the Canada/Quebec Pension Plan to 8 per cent. If the increase is gradual and applied in small increments the impact may not be very noticeable. Consider the case of employees who are faced with an immediate increase of 2.2 per cent. If their average earnings are $15,000 a year, the increase in deductions will amount to $330 in a year, an amount that is tax deductible. This is really not overwhelming when it is related to some ordinary expenses. For instance, to automobile owners, any year when expenses were not more than $330 would be a vintage year. Examples could readily be multiplied but the general conclusion is that the cost of 2.2 per cent of payroll is not a backbreaking expense either for employee or employer. Many other costs to employers are rising more rapidly than the proposed increases in pension contributions and it does not seem to be realistic to conclude that their competitive position would be damaged. There is, after all, a great deal at stake even though, in some cases, the payoff may be delayed for years. It might be noted, in passing, that the current levels of payroll deductions for social security in the United States amount to 6.13 per cent for both employees and employers. This amount is scheduled to be increased to 6.62 per cent in the near future. The total deductions amount to 12.26 per cent and 13.24 per cent respectively. The point will be stressed again that the fact that the U.S. level of contributions exceeds

the levels proposed in this report by about 50 per cent provides some perspective on the arguments in this report.

All too often it has become the accepted doctrine that the solution of social problems in this country is to spend large amounts of government funds on them. Your Committee states emphatically its belief that this is not the best way to deal with the inadequacies of the public pension system. On the other hand, it strongly supports the concept of increased pensions based on greater contributions from employees and employers. This means that the proposed reforms of the Canada/Quebec Pension Plan are to be carried out without cost to the public treasury.

Conclusions

Your Committee concluded

1. that any changes in the law or practice governing mandatory retirement should have no effect on the various benefits for which those 65 and over are eligible;
2. that the private pension plan system in Canada has serious shortcomings with respect to coverage, benefits, vesting, portability and indexing as well as in its treatment of particular groups in the population such as women and part-time workers;
3. that the regulations governing vesting in private pension plans are, in general, too restrictive;
4. that steps should be taken now to overhaul the public pension system in order: (a) to avoid undue burdens on the social security system in the future as the proportion of those aged 65 and over increases; (b) to provide additional income support from the Canada/Quebec Pension Plan as soon as possible;
5. that, in accordance with the principle of facilitating freedom of choice in retirement, contributors to the Canada/Quebec Pension Plan be entitled to begin drawing an actuarially reduced pension at any time between the ages of 60 and 64.

Recommendations

Your Committee recommends

1. that for all those 65 and over no action should be taken to diminish the rights and benefits they now enjoy;

2. that, in view of the inadequacies of the private pension system in Canada, contributions under the Canada/Quebec Pension Plan be increased to 8 per cent, one-half to be contributed by the employer and one-half by the employee and the full 8 per cent to be contributed by the self-employed instead of the current aggregate level of 3.6 per cent. This recommendation involves an increase in the total contributions of 2.2 per cent annually for two years. This would mean that employers and employees each would contribute an additional 1.1 per cent per year until the total difference of 4.4 per cent is made up;

3. that employees be permitted to purchase pension entitlement at the new higher level by paying both the employer's and the employee's share for any desired period prior to the introduction of the higher contribution rates, but not to begin earlier than January 1, 1966, provided the employee earned above the required minimum for any prior year to be included;

4. that the increases in the benefits under the Canada/Quebec Pension Plan be phased in over a five-year period dating from the end of the year that the 8 per cent level of contributions is in effect;

5. that the benefits payable to those contributing at the new level be calculated on an actuarial basis for all those retiring before the payment of the higher pension level is fully effective;

6. that the expanded Canada/Quebec Pension Plan be integrated with or added to existing private pension plans at the option of the employers and the employees;

7. that early vesting, i.e. after one year, be introduced in the pension field under federal jurisdiction and that the provinces be urged to adopt this standard in areas under their control;

8. that, as a general principle, contributors to the Canada/Quebec Pension Plan should be permitted, if they wish, to take actuarially reduced pensions beginning at age 60.

Part IV

Retirement and the Economic Climate

1. Retirement and inflation
2. The ravages of inflation
3. Indexing
4. The long-term prospects

1. Retirement and Inflation

One of the most serious problems facing pensioners on fixed incomes is how to cope with inflation. Usually, when people retire they want to continue the same lifestyle that they had before. They want to live in the same house or apartment, eat the same kind of food, go to the same restaurants, buy the same type of clothes and enjoy the same sports or leisure activities that they had before. They are concerned that their retirement income should be adequate to achieve these aims. They are equally concerned that the purchasing power of this retirement income — the goods and services that it will buy — should not be severely eroded by inflationary price increases. There can be few more disheartening experiences for pensioners than to see their standard of living fall year by year as inflation diminishes the purchasing power of their income.

Inflation does not affect all pensioners equally. Indeed, most pensioners are not on fixed incomes but have at least some of their retirement income adjusted to cost-of-living increases. The social security programs and the public pension plans, which are the most important source of retirement income, are fully indexed, and pensioners who rely solely on these plans for their retirement income are not unduly affected by inflation. These public plans include the Old Age Security pension, the Guaranteed Income Supplement, provincial supplements, and the Spouse's Allowance. They also include the Canada/Quebec Pension Plan, which provided only 3.6 per cent of the total income of pensioners in 1975 but is becoming an increasingly important source of retirement income. The majority of workers, approximately 61 per cent of all employees, do not contribute to any private pension plan at the present time and must rely on the public plans.[1]

Although the social security programs and the public pension plans are the main source of retirement income, they do not provide an adequate income for the retired. At best they amount to little more than a basic income for the purchase of essentials. The stated objective of the Canada/Quebec Pension Plan is to make available reasonable minimum levels of income on retirement while allowing scope for the continuation and extension of private plans and personal savings to augment income over these minimum levels. In other words, private plans and personal savings are expected to make up the difference between minimum and adequate levels of income.

This difference between minimum and adequate levels of retirement income is now being threatened by inflation. Very few private pension plans provide full indexing to cost-of-living increases. A notable exception is the federal government superannuation plan although even here steps are being considered to limit full indexing. Where full indexing is not provided, a decline in purchasing power is inevitable and what might start out as a comfortable retirement could, in a few

years, turn into a time of financial strain and a reduced standard of living.

In testimony before your Committee, several private companies pointed out that they have provided pensioners with *ad hoc* adjustments to compensate partially for rising costs when profit levels were high enough to permit such increases. These increases usually averaged around 2 to 3 per cent annually, although a few were higher. In no case, however, was a private company willing to index pension benefits automatically to consumer price increases because of the unknown future drain on their business profits. Pensioners could not therefore be sure of the extent of the *ad hoc* adjustments, and even where these were granted annually, pension income was likely to erode because the adjustments were insufficient to compensate for the cost-of-living increases.

In emphasizing the corrosive effects of inflation on retirement income, your Committee does not wish to imply that it considers high future rates of inflation as inevitable or even likely. It considers any predictions in this area to be hazardous. Economists have expressed the view that the rate of inflation in the 1980s will be moderately lower than that of the recent past. At the same time, they have shown little optimism that these rates will decline in the foreseeable future to the 2 to 3 per cent annual rate of the 1950s and 1960s. Given the possibility that the future inflation rate is likely to remain high by historical standards for some considerable time to come, (say around 5 or 6 per cent annually), your Committee feels that it would be prudent to make evey effort to protect pensioners from the destructive effects of inflation as far as possible.

2. The Ravages of Inflation

Inflation is not like a highwayman; it is more like a burglar whose depredations occur silently and under cover of darkness. The thievery may go almost unnoticed for a long time but the toll is real. High rates of inflation can damage the purchasing power of retirement income with great rapidity. The erosion can be arrested wholly or partly if the income is adjusted in accordance with changes in the level of consumer prices. Without some degree of insulation from price increases, the goods and services which a retirement income can purchase will be like the snow in the summer sun.

The rapidity of the shrinkage will naturally be governed by the rate of inflation. With an inflation rate of 10 per cent a year, the real value of a fixed retirement income will be halved in about 7 years. When the rate is 7 per cent per year, it will be halved in roughly ten years. These figures are not a happy augury for the standard of living of a pensioner who is not shielded from inflation.

The effects of different rates of inflation on the purchasing power of fixed retirement incomes are startling, as Table 4 illustrates in more detail.

Table 4

The Erosion of a Fixed-Dollar Pension in an Inflationary Climate

Inflation Rate (per cent per year)	Value of pension as a percentage of initial value					
Age	65	70	75	80	85	90
0	100	100	100	100	100	100
2	100	91	82	74	67	61
4	100	82	68	56	46	38
6	100	75	56	42	31	23
8	100	68	46	31	21	15
10	100	62	39	24	15	9
12	100	57	32	18	10	6

Source: J.E. Pesando and S.A. Rea Jr., *Public and Private Pensions in Canada: An Economic Analysis* (Toronto and Buffalo: University of Toronto Press, 1977), p.50.

What these statistics mean to the lifestyle of pensioners needs to be visualized. As the inflation rate rises and the pensioner gets older, the home or apartment that was once taken for granted may have to be changed as a result of rising municipal taxes or rents or other costs. Planned leisure activities, such as travel or sports, will have to be curtailed or abandoned. Discretionary income for the purchase of goods

and services other than such basic necessities as food could be reduced to a trickle. Life in retirement could easily become dominated by the problems of trying to cope with unremitting poverty.

The effects of inflation on retirement income are not limited to the years after a pensioner retires. They can be equally harmful to retirement income during the many years before a pensioner retires. During these years, inflation can eat away the pension credits employees earn and on which their pensions are ultimately based. It can seriously reduce the amount of a pension that a pensioner receives on retirement.

This erosion can affect both the long-service workers and the workers who have vested contributions with previous employers. The long-service employees can be affected because their pension plans were not designed to afford adequate protection against inflation. The workers who have vested contributions with previous employers can be affected because no provision was made to adjust these contributions to cost-of-living increases between the time that their employment terminated and the time that their pensions or annuities began.

The long-service employees' problem varies with the kind of pension plan they have. Different pension plans protect pension credits from inflation in varying degrees. The best protection is usually provided by the final earnings type plan where the employees' pension is based on length of service and average best earnings for a stated period just prior to retirement. Since wages and salaries usually rise at roughly the same rate as inflation, plus real productivity gains, these final earnings plans should ensure that pension credits are protected during the years of employment.

The worst protection, on the other hand, is usually provided by career average plans, where the employees accumulate each year a unit of pension equal to the percentage of their earnings in that year. Inflation can in this case severely reduce the amount of pension credits and therefore the amount of retirement income the pensioners will receive. Money purchase plans in which the pension benefits depend on the contributions made by the members and the employers on their behalf and on the amount of an annuity these contributions will purchase at the time of retirement, can also present a risk. The degree of impairment in this case generally depends on how successful the pension fund was in earning sufficient interest on its investments to overcome the effects of inflation prior to the time of retirement.

In testimony before your Committee, Kellogg Salada Canada Inc. described their money purchase plan, which provides good protection against inflation up to the time of retirement. Under their plan, employees contribute a minimum of 2 per cent of annual salary and the employer 10 per cent of corporate pre-tax profits, which amounts to about 9 per cent of an employee's annual earnings. These contributions are invested in equities and fixed income securities. The return on this investment is expected to offset any losses in purchasing power because of inflation. At the time of retirement, the employees' accrued account

balances are used to purchase annuities which, for employees with thirty-five years' service, provide a monthly pension income almost equal to their pre-retirement salary when Canada/Quebec Pension Plan and Old Age Security benefits are added to it. The annuity does not, however, offer any protection against inflation after retirement.[2]

This example shows that it is not possible to generalize about the effects of inflation on different types of pension plans. Your Committee, nevertheless, wishes to emphasize the real problem that does arise because of inflation both in the area of pension credits and pension benefits and the need to design private pension plans to protect the many workers who may be victimized by rising consumer prices.

3. Indexing

Few issues in the field of retirement age policies or pensions give rise to greater controversy than the question of indexing pensions to cost-of-living increases. A wide gulf separates the advocates of indexing from the opponents — a gulf that is broadened by the emotion the issue arouses. A major difficulty in trying to settle this controversy is that the advocates of indexing argue mainly in economic terms, while the opponents of indexing argue in actuarial terms.

Economists generally agree that the economy can afford to index pension benefits to cost-of-living increases. They and other advocates of indexing maintain that the economy can afford to provide pensioners with the same constant basket of goods and services from year to year despite inflationary price increases. They point out that all indexing does is to maintain the pensioners' claim on real output. It redistributes back to the pensioners what inflation takes away. As long as inflation does not cause output to fall, and there is no evidence that it does, the economy can afford to provide pensioners with the same claim on real output. There is no economic reason therefore why people who retire on pensions should not have the purchasing power of their retirement income protected during their entire retired life and be able to maintain the same standard of living. Even so, pensioners would not be in as favourable a position as the wage earner whose periodic wage increases include in addition to cost-of-living increases an amount for the productivity gains of the economy. Many advocates of indexing would indeed claim that the economy could afford to provide pensioners with a growing basket of goods and services corresponding to the cost-of-living increases and productivity gains that the workers receive annually in their wage increases.

J.E. Pesando in his testimony to the Committee put forward the economists' case for indexing as follows:

> As an economist — and here I want to emphasize that I speak for the economic profession at large . . . — there can be no faith whatsoever credited to the fact that the Canadian economy cannot "afford" pension indexed benefits. Pure and simple economic evidence, both theoretical and empirical, is that the real economic performance of the economy is not likely to be adversely affected by rates of inflation that are within the historical realm of experience in Canada. From the point of view of economics, inflation is a problem essentially because it tends to arbitrarily redistribute income and one of those groups that are clearly potential victims, if you will, of this arbitrary redistribution, are pensioners on fixed incomes.[3]

The Federal Superannuates National Association, which represents retired public servants, put forward a similar case in their submission to your Committee:

> It is the firm belief of our Association that the maintenance of the purchasing value of all pensions, both public and private, is a social objective of the highest importance. We are equally convinced that it is an economic procedure well within the capacity of this country .... Our Association is convinced that it is essential to approach this topic in terms which avoid ambiguity and within a framework which could be acceptable to all participants. To this end a considerable research effort was mounted by a small team of our members. We believe that the resultant findings confirm our conviction that the Canadian economy, both now and through the reasonably forseeable future, can support the general indexing of all pensions to the Consumer Price Index.[4]

The opponents of indexing pensions would probably not deny the economic arguments but point out simply that the actuarial cost is beyond the capacity of private pension plans to pay. They claim that while private pension plans can sometimes provide partial indexing through *ad hoc* adjustments, they cannot afford the risk of full indexing of pensions because the future rate of inflation is unpredictable. Because of this unpredictability, the return on their investments may not be sufficient to enable them to pay for the indexing of pensions. This, they say, is an actuarial question and is quite different from the question of what the economy can afford.

It is generally agreed that if the future rate of inflation were predictable, private pension funds would have little difficulty earning sufficient return on their investments to pay for the indexing of pensions. For example, let us assume that the expected inflation rate for all future periods is 7.5 per cent and that the market interest rate is 10 per cent, which would suggest a real rate of return of 2.5 per cent. If indeed inflation turned out to be 7.5 per cent as expected then the plan sponsor who invested his funds at 10 per cent could provide fully indexed benefits, escalating at 7.5 per cent per annum, without incurring any loss. The problem, however, is that private pension fund managers cannot predict the future rate of inflation. They face, therefore, a substantial risk, particularly in a period of accelerating inflation, that the rate of return on their investments may not rise in tandem with inflation. For example, if the inflation rate, instead of being 7.5 per cent were suddenly to accelerate to 15 per cent, the rate of return on investments could continue to lag behind at 10 per cent. Indexing pensions at the new inflation rate of 15 per cent would then involve pension fund managers in substantial losses. This is the risk private pension fund managers will not take and the main reason they are unwilling to index pension benefits.

What the actual experience of the private pension funds has been in earning a real rate of return on their investments above the inflation rate is a subject on which there is some disagreement. Pesando and Rea in their study on pensions concluded that the real return on a portfolio consisting of fixed-income securities or common stocks was likely to fall in a period of accelerating inflation. From this they concluded "that

private pension plans, given their eligible set of investment opportunities, cannot provide indexed benefits after retirement and remain actuarially sound."[5] In contrast, Robert C. Dowsett, President, Crown Life Insurance Company, wrote in an article published in the *Canadian Business Review:*

> And what about indexing paid-up pensions for the period from termination of employment to age 65? And what about some indexing after age 65 for all pension payments? Some indexation can be provided for such benefits if the employer is willing to accept the fact that there is an inflation premium built into the rate of return earned currently by pension assets.
>
> Interest rates earned on pension fund assets in recent years have included such an inflation premium. 9 per cent rates of interest can be characterized as a 3 per cent real rate of return plus a 6 per cent inflation premium — that is, a 6 per cent per annum extra compensation to the lender for the estimated loss of purchasing power due to inflation.
>
> What has happened to the earnings generated on pension plan assets by this inflation premium? They have been used to offset the cost of plan improvements — that is, to help improve level starting pensions for long service employees. They have been used to improve starting pensions for those employees retiring early.
>
> They have not been used to enhance the benefits payable after retirement to correct inflationary erosion then occurring, except to the extent that they have been used to offset the cost of 'ad hoc' adjustments.
>
> They have not been used to enhance paid-up pensions available to terminating employees in order to correct those paid-up pensions for the erosion caused by inflation prior to commencement of benefits.[6]

This statement by Dowsett would seem to indicate that private pension plans have been earning real rates of return that included an inflation premium. However, they have mainly used the additional earnings generated by the inflation premium for purposes other than indexing of pensions.

The reason that there is disagreement whether private pension funds have been earning a real rate of return on their investments during recent inflationary years is that pension fund managers are not obliged to disclose how their funds are invested or how they are performing. The provinces do not all require that this information be given to pension plan participants, although Manitoba and Quebec require disclosure and legislative action is under consideration in Ontario. Consequently, many employers are not required to give information on the assets and the liabilities of their pension plans to their employees, and data on how the pension funds have been performing are not available.

Donald Coxe, a member of the Ontario Royal Commission on the Status of Pensions, indicated that one reason for this secrecy may be that the investment performance of private pension plans has been "melancholy." Canadian pension funds built up their highest equity exposure

in history just before the 1974 market crash and since then have suffered the consequences. "There is a profound social significance to this failure of pension funds to deploy their assets effectively," he told a seminar sponsored by the Association of Canadian Pension Management. The *ad hoc* adjustments that private pension funds have provided "almost never keep up with the full growth in the Consumer Price Index" and "at a time of double-digit inflation those who depend on private pension plans for retirement income find themselves at risk in a particularly frightening way."[7]

The investment performance of the private pension fund industry during recent years has probably not been good enough to produce real positive rates of return. What likely happened was that some pension fund managers did well in certain years, generating sufficient asset growth to produce positive rates of return that included an inflation premium, while others did poorly and might have suffered actual losses. Performance could vary from year to year, with those doing well one year doing poorly the next. This variability of investment performance could explain why private pension plan administrators were unwilling to commit themselves to providing more than *ad hoc* adjustments to cost-of-living increases.

Representatives from individual companies were nearly unanimous in emphasizing to your Committee that they were firmly opposed to indexing pensions to cost-of-living increases and could not afford to provide more that *ad hoc* adjustments. The brief from Canadian National was typical:

> Over the past several years Canadian National has adjusted pension income to compensate, at least in part, for the effects of the rising cost of living. These adjustments have been made on an ad hoc basis without any actual commitment to do so, and cannot be equated with formal indexation. It is significant that very few employers outside of the public service have indexed pension benefits to the cost of living. Like CN, many such employers have granted ad hoc pension increases but virtually none have indexed. They have not done so because the cost is staggering — for CN, about the same as the already high costs of the whole pension plan.[8]

There was no indication that their companies' opposition to indexing was likely to change in the foreseeable future.

Indexing has unfortunately become an emotionally charged issue. It has led to a polarization of attitudes partly because of the substantive issues involved but also because indexing was introduced for retired federal public servants and thus became symbolic of what some part of the business community looked on as extravagance by the federal government. Indexing is one of the rocks on which the private pension plans have foundered. It is not fruitful to try to assign blame for this; nor does your Committee believe that cajolery or moral suasion would be useful.

Your Committee's conclusion is that an expanded and enlarged public pension system is the only fruitful alternative. Your Committee also recommends that the provinces should take appropriate action to require that all private pension plans disclose to their participants how their funds are being invested and how they are performing. It believes that employees have the right to know how their pension money is being managed and whether the assets of their pension plans are growing sufficiently to keep up with inflation.

4. Long-Term Prospects

Many witnesses from private companies appearing before your Committee suggested that the best solution to the pensioners' problem of declining living standards caused by inflation was strong governmental action to reduce inflation to an annual rate of 2 or 3 per cent, the level in the 1950s and 1960s. Your Committee can sympathize with this argument and would certainly support every reasonable effort to reduce inflation. At the same time, it must be recognized that inflation is at least in part an international problem and that its duration is indefinite. Because of this your Committee believes that it would be unfair to offer pensioners no alternative but to wait for inflation to abate while suffering a continual decline in their living standards. Alternative solutions to deal with this problem must be found as soon as possible.

Your Committee considered whether there was any action that the federal government could take to help private plans index pension benefits. Two suggestions were put forward. One suggestion was for the federal government to issue indexed bonds to be made available to private pension funds for the purpose of indexing pensions. The rate of interest of these bonds would rise or fall with the Consumer Price Index so that they would always provide a real rate of return above the inflation factor. The other suggestion was that the federal government sponsor an insurance scheme that would protect private pension plans against the risk that inflation might accelerate and thereby prevent them from earning a real rate of return on their investments. Both suggestions have, however, serious drawbacks. Indexed bonds could severely disrupt financial markets because they would be displacing a large pool of private financial instruments now held by private pension funds. The insurance scheme could involve the federal government during a period of accelerating inflation in an open-ended commitment to subsidize the private pension plans to enable them to continue indexing pensions. Moreover, private pension plans have up to now shown little interest in any such proposal to help them index pension benefits.

Your Committee has concluded, therefore, that only an expanded public pension program could provide pensioners with the protection against inflation that they now need. Benefits under the Canada/Quebec Pension Plan are already fully indexed.

The present ceiling under the Canada/Quebec Pension Plan, commonly referred to as the Year's Maximum Pensionable Earnings, is tied to the average industrial wage. Above this ceiling no pension credits can now be earned and no protection against inflation can now be obtained under the plan.

Because of this maximum, workers receiving more than the average industrial wage will suffer a greater drop in income on retirement assuming they have no private pension. Indeed, the higher the income over the Year's Maximum Pensionable Earnings the smaller the replacement ratio provided by public pension plans. (The replacement

ratio is the ratio of net income after retirement to net income before retirement.) For example, a married man living in Ontario with a non-working wife and earning an income of $12,000 per annum just before retirement would under the Canada/Quebec Pension Plan together with Old Age Security now retire with after-tax income equal to $8,517 or 80 per cent of his pre-retirement income after taxes. For a married person in the same circumstances earning an income of $20,000 per annum just before retirement the retirement income would drop to 53 per cent of his previous net income. For single workers the corresponding percentages would be 51 per cent and 33 per cent. Thus workers who earned an income equal to the Year's Maximum Pensionable Earnings would not face a substantial fall in income upon retirement while workers who earned higher incomes could suffer a serious drop. Table 5 shows the pension replacement ratio for married and single persons retiring at different income levels and receiving money from the Canada/Quebec Pension Plan, Old Age Security and Guaranteed Income Supplements.

Table 5

Approximate Pension Replacement Ratios

Before retirement			After retirement	
Annual earnings before 65	Income tax (Ontario)	Net income before 65	(CPP, OAS, GIS) Net income after 65	Replacement ratio (per cent)
Married*				
$10,000	$ 771	$ 9,229	$8,366	91
12,000	1,335	10,665	8,517	80
14,000	1,885	12,115	8,517	70
20,000	3,781	16,219	8,517	53
Single				
$10,000	$1,341	$ 8,659	$5,008	58
12,000	1,921	10,079	5,159	51
14,000	2,528	11,472	5,159	45
20,000	4,546	15,454	5,159	33

* Spouses assumed to be the same age.

Your Committee believes that workers earning more than the Year's Maximum Pensionable Earnings should be able to obtain a higher pension replacement ratio upon retirement than is now provided under the Canada/Quebec Pension Plan. It therefore recommends that the earnings ceiling under the Canada/Quebec Pension Plan be raised by 50 per cent. The Year's Maximum Pensionable Earnings would then become 1 1/2 times the average industrial wage or approximately $20,000 at current rates. Workers and employers would have to contribute to the

plan on earnings up to $20,000, and workers would earn pension credits on this higher amount.

The recommendation to increase the Canada/Quebec Pension Plan retirement benefits from 25 to about 50 per cent of annual earnings would mean that pensioners could receive a maximum retirement income of about $10,000 under the plan or approximately $12,000 when Old Age Security was added to it. This would represent a substantial increase in the amount of retirement income. Your Committee believes that this increase provides an excellent device for protecting Canadian pensioners in an age of inflation.

Your Committee also considers it important that the contributions received by the Canada/Quebec Pension Plan fund be invested in a way that would counteract the wastage by inflation to the maximum extent possible. At present these contributions are lent back to the provinces, usually in the form of long-term twenty year bonds, except for the hold back of an amount equal to three months of pension benefits. These loans to the provinces are in direct proportion to the amount obtained from them through their contributions. The interest rates that the provinces pay are tied to the average interest rate on long-term federal bonds. These rates, which vary monthly, averaged around 9.5 per cent in the latter half of 1978, but around 6 per cent several years ago. The recent rates are therefore generally sufficient to counteract the effects of present inflation rates, while the old rates are not. This ability to offset the inroads of inflation is important because it affects the fund's capacity to index pension benefits without increased recourse to tax revenue.

Finally, your Committee believes that the private sector should pay more attention to the problem of long-service employees whose pension contributions are being eaten away by inflation because of the design of their pension plan. The problem is to design a pension plan that will provide the employees with the best safeguards possible. Generally, the type of pension plan based on earnings received immediately prior to retirement offers the best protection because these earnings usually keep up with cost-of-living increases during the course of employment. Wherever necessary the design of private plans should be modified so that the long-service employee's pension contributions are insulated from the effects of inflation to the fullest extent possible.

Conclusions

Your Committee concluded

1. that inflation is one of the most serious problems facing pensioners on fixed incomes;
2. that inflation can rapidly reduce the purchasing power of retirement income that is not indexed or only partially indexed;
3. that it can also erode the pension credits which employees earn during employment and thereby reduce their pension benefits;
4. that this erosion does not arise under the Canada/Quebec Pension Plan, but does arise under private pension plans;

5. that private pension plans are unable or unwilling to index pension benefits, mainly because the overall rate of return on their investments may not rise by an amount corresponding to the rate of inflation;
6. that new solutions must therefore be found to protect pensioners from the ravages of inflation.

Recommendations

Your Committee recommends

1. that the ceiling under the Canada/Quebec Pension Plan (the Year's Maximum Pensionable Earnings) be raised by 50 per cent to 1 1/2 times the average industrial wage, or approximately $20,000 at current rates, so as to provide workers with a higher level of protection against inflation;

2. that the increase take place in annual increments so that the new level of the Year's Maximum Pensionable Earnings is attained by the time the total contribution level of 8 per cent is in effect;

3. that the private pension system be urged to modify the designs of its plans wherever necessary to protect the long-service employees' pension contributions by calculating pensions on the basis of final earnings or some similar variant;

4. that the provinces and the federal government take appropriate action to require all private pension plans under their jurisdiction to disclose to their participants how their funds are being invested and how they are performing.

Part V

Women and Retirement

1. Women and the private pension system
2. The question of survivors' benefits
3. Women and the Canada/Quebec Pension Plan

1. Women and the Private Pension System

In the past, the evolving complex of private pension plans discriminated against women, sometimes in a flagrant manner. The reasons for this derive mainly from the special place of women in the family and in the labour market in the nineteenth and early twentieth centuries. The legacy of earlier times persists today with the result that women, particularly elderly women, are often treated unfairly by private pension plans in comparison with their male counterparts.

Consequently, in 1977 60 per cent of unattached women over the age of 65 had incomes below the poverty level.[1] Unattached women are those who are either widowed, divorced, separated or have never been married, living alone without families, outside of institutions. Although nearly 60 per cent of all those 65 and over were women in 1976, approximately three times as many women as men in this age group were poor.

There are a number of historical and sociological reasons why so many old women are poor. The traditional role of women has changed rapidly as Canada moved from an agricultural to an industrial society. Farm wives worked, normally without pay, to help support the family unit and were an integral part of the agricultural economy. When, in the early part of the century people began to pour into the cities, women whose families were in the lower income brackets went to work for pay in factories, offices, and the service industries. Two world wars brought many more women into the labour force because they were needed to fill jobs left vacant by men who had joined the armed services. Increased industrialization during and after the wars made more jobs available, and women were ready and eager to fill them.

In the 1950s the number of women working for pay began to increase dramatically. Between 1956 and 1977 the participation rate of women in the labour force rose from 24.0 per cent to 45.9 per cent of the female population 15 and over.[2] During this period, the rise in the number of married women in the labour force was unprecedented, increasing from 14.6 per cent of all married women in 1956 to 44.2 per cent in 1977. In the same year, 60.4 per cent of the women in the labour force were married.[3]

There has, however, been a time lag in the recognition of the changing role of women so that pension plans still follow traditional, outmoded patterns. Until the period following the Second World War, women's attachment to the labour force was considered to be marginal except for their participation in a few occupational groups such as telephone operators, nurses, stenographers and so forth. At one time it was generally taken for granted that the financial security of a woman, whether she stayed at home or worked for pay, was the responsibility of her family or her husband rather than of pensions. This is no longer true today.

As has been pointed out recently by the National Council of Welfare:

> Almost all Canadian women get married, but very few can count on a man to provide for them for the rest of their lives. Even leaving aside the wives whose husbands have inadequate incomes, the vast majority of women are obliged at some point in their lives to take charge of their own economic needs . . . . According to this reconstruction of 100 women's lives, almost three out of every four women will find themselves on their own sometime in their adult lives. Although 94 of every 100 women marry, only 26 can expect to live with their husbands until death. Of the others, 15 will separate or divorce and 53 will become widows.[4]

Obviously the private pension plans must now be reformed to recognize the role of women in a society that has changed drastically during the twentieth century. The statistics speak for themselves.

It has already been pointed out that in 1975 81 per cent of unattached women over 65 had no private pensions at all. On the basis of data collected by Health and Welfare Canada it is estimated that in 1975 the average income of all women 66 and over from private pensions (including miscellaneous superannuation income and annuities) was $370. Of those who did receive private pensions the average amount was $1976 per year. Such income is particularly vulnerable to the wasting effects of rising prices.[5]

What are the causes of this shocking situation? Only 27 per cent of women in the labour force are enrolled in private pension plans. Most of these plans are operated by governments or Crown corporations. This means that only about 15 per cent of women workers in the private sector are covered.[6] As already mentioned, the Canadian Labour Congress has estimated that only between 4 per cent and 10 per cent of members of private plans ever receive a full pension. Thus, so many old women, even if they have worked for most of their lives, are poor.

A further reason for the appalling situation in which older women find themselves is that prior to the 1950s, the majority of young women usually worked for a short period before marrying and settling down to be a housewife and to raise a family. As a result, many pension plans did not include women on the grounds that their attachment to the labour force was temporary and few would remain until they reached a pensionable age. Even as late as 1976, 308 plans out of 16,000 still covered only men.[7]

Often too, built-in discriminatory schemes did not allow women to participate in a pension plan until an older age than men and required them to retire at a younger age. For example, compulsory retirement for women was frequently fixed at 60, while the age for men was 65. In consequence, women's pensions are often smaller because they are based on shorter periods of service.

In 1975 the earnings of full-time female workers were an average of

60 per cent of those of full-time men workers. On these grounds women's pensions are proportionately lower. In 1977, 22.6 per cent of all women in the labour force worked part-time and so their wages were generally lower than those of full-time workers.[8]

While the collective-bargaining process has brought significant pension benefits to many unionized employees, the vast majority of female employees work in non-unionized jobs or for small non-unionized employers who cannot afford pension plans. In addition, the job turnover for women is higher than for men because women often take time out to stay at home, particularly when their children are below school age.[9] Consequently, their ability to build up a pension is diminished.

The obvious cases of discrimination have been already modified by action under the federal and provincial human rights codes. The more important issue of comparative job evaluation in relation to pay and benefits is now being examined by human rights commissions. Success in their efforts will enable many women to have more adequate pensions in the future.

There are, however, legitimate actuarial reasons for the difference between the pensions of men and women since women live an average of seven years longer than men. If pensions are expected to be paid for a greater number of years, it is reasonable to exact higher pension contributions from women or to pay smaller pensions. But apart from differences based on sound actuarial principles, your Committee believes that all forms of unfair discrimination against women in the pension field should be vigorously attacked by authorities responsible for human rights statutes.

2. The Question of Survivors' Benefits

Married women who may have to depend on income derived from their husbands' pensions may face straitened circumstances when their spouses die. Thus it is important to underline the deficiencies in plans relating to death benefits and pensions paid to survivors.

Survivors' benefits in most private pension plans and in some public sector plans are inadequate. In the federal public service and many other pension plans a widow receives 50 per cent of her late husband's pension.

In 1976, 93.9 per cent of the pension plans in the public and private sector, covering 42 per cent of all plan members, provided no widow's pension.[10] When the death of an employee occurred before retirement, 7.8 per cent of the plans provided no death benefit and if death occurred after retirement no benefit was payable in a comparable percentage of plans.

In many plans an employee is offered the option of either taking a pension that ends when he dies or of having some fraction of it paid to his widow. Because of the greater longevity of women, it is obvious that a pension with survivors' benefits will be smaller during a pensioner's lifetime than otherwise. Few employees take the option to provide for survivors' benefits for as one witness stated, "When a male is retiring and his pension is not too good to start with, he is not going to reduce it by 40 or 50 per cent. He is going to gamble on his future."[11]

It has been established that one survivor cannot maintain the same lifestyle with even one-half the income. The reduction in income often requires drastic financial readjustment for a widow, which may be very difficult at a time of emotional distress and few women are able to return to the labour force at such a time.

Presumably the rules apply with equal force whether the spouse is a man or a woman, but the most tragic case is certainly that of a widow who may be left destitute. If she is old enough she may receive some relief from an Old Age Security pension and related payments but her total income may be scanty at best. Your Committee finds it contrary to the public interest that so many pension plans offer options that potentially can impoverish widows. The problem of pensions for widows needs immediate attention, since by the end of the century it is forecast that there will be well over 2 million women in Canada over the age of 65, or almost double the number today.[12]

3. Women and the Canada/Quebec Pension Plan

The Canada/Quebec Pension Plan, as has been emphasized, combines immediate vesting, portability, universality, and indexing, all of which make it superior to private plans. It does, however, have a serious weakness in that the maximum amount of pension payable is relatively small. This weakness militates particularly against women.

In 1979, the average income for women from the Canada/Quebec Pension Plan was $1,013 a year.[13] In part, this amount is so small because female workers generally earn less than men. As well, a large number of women work part-time for low pay and so some are not able to participate in the Canada/Quebec Pension Plan, since in 1978 an individual had to earn $1,100 in order to contribute to the plan.

The present rules regulating the Canada/Quebec Pension Plan permit all participants to drop out the equivalent of 15 per cent of their lowest earning periods in order to calculate the basis of their ultimate pension. Many Canadian women leave the labour force permanently or temporarily in order to raise a family so it is clear that the 15 per cent dropout rule is not sufficient to provide them with an adequate pension.

In 1977 an attempt was made to meet this problem. Parliament passed a bill to amend the Canada/Quebec Pension Plan that enabled contributors to drop out any months of low or zero earnings spent at home caring for children under 7 years. Ontario and British Columbia vetoed this provision so that it never came into force. Since then Quebec has included the dropout provision in its provincial plan. This means that in nine provinces, Canadian housewives who must stay at home to raise their young families will have a reduced contribution period and thus lower pension benefits than if the dropout provision had been ratified.

Under present policies, housewives who have never worked for pay will, of course, have no pension of their own of any kind. In recent years there has been considerable discussion about the need to provide them with pensions, since a woman who stays at home is making a great contribution to her family as well as to the economy. In order to recognize the value of the work done in the home, it has been suggested that a housewife should be allowed to make voluntary contributions to the Canada/Quebec Pension Plan. Conceivably, she would be able to do this if she has money of her own or if her husband can afford to pay the contributions on her behalf. In addition, she or her husband would also have to pay the employer's share. This would not be difficult for people in the upper-income brackets but people with low incomes would not be able to afford such an expense. In any case, there seems to be no feasible way to impute a money value to the work of a woman in the home. An even more cogent argument against this suggestion is that the Canada/Quebec Pension Plan is inherently tied to the concept of paid work. This point was made very clearly by the Honourable

Monique Bégin, the Minister of National Health and Welfare at the time in testimony before your Committee:

> All the plans for the CPP are developed around the concept of paid employment and contributions. That is why I say we cannot realistically recommend using the CPP as the vehicle to provide pensions to housewives.[14]

In order to resolve the problem of pensions for housewives your Committee has concluded that pensions payable under the Canada/Quebec Pension Plan should be shared 50-50 between husband and wife. At the increased pension levels recommended in this report this approach should provide a reasonably adequate pension to wives who withdraw from the labour force permanently or temporarily or who never enter the labour force. For expository purposes it is assumed that the husband is the paid worker in the family, but the same basic rules would apply if the wife were the breadwinner.

Often the wife enters the labour force and accumulates pension credits before marriage and then, after a period of childbearing and childrearing, again takes up paid employment. In this situtation, she would have two kinds of pension entitlements: those earned as a result of her own activity in the labour force, and those deriving from her share of her husband's pension. In the first case, the pension would not be payable until she had reached pensionable age, and in the second case payments to her would begin at the same time as her husband's pension.

Under this scheme, pension-sharing would apply as a general principle and not only in cases where the issue is the payment of pensions to housewives. Your Committee has adopted the view that pensions under the Canada/Quebec Pension Plan should be shared on a completely reciprocal basis; that is, both husbands and wives would be obligated to share equally any pension entitlements earned during their married life. This principle of reciprocity provides a solution for the specific problem of pensions for housewives and also reinforces the concept that marriage is a partnership of equals.

The notion of pension sharing does not appear revolutionary in the light of recent legal changes to establish the concept that marriage is a partnership between equals. Quebec was the first province to adopt rules to ensure that marriage is an equal partnership and to guarantee each spouse an equal share of the property derived from their joint effort and savings during marriage. At the dissolution of a marriage by divorce, separation, or death, each spouse is given one-half of all property acquired during the marriage other than by gift, will, or a legal succession.

Since this action in Quebec, all other provinces have proposed or enacted reforms providing for an equitable sharing of family assets on divorce or separation. The provinces of Ontario, Alberta, Manitoba, Prince Edward Island, and British Columbia have passed legislation recognizing the principle that marriage is a partnership and that family

assets acquired during the marriage should be shared.[15] The legislation in the province of British Columbia has actually defined pension rights to be part of the family assets.[16] In Manitoba rights accruing under pension plans are considered to be commercial assets, although they are subject to division in marriage breakdown.[17] In other provinces family court judges consider the value of pensions when dividing the assets if a marriage breaks down.

The concept of marriage as a partnership between equals has been recognized by Parliament. In 1977, after agreement had been reached with the provinces, the Canada/Quebec Pension Plan was amended to provide for the equal division of pension credits starting with the first year of marriage, or 1966, whichever is later, upon the dissolution of a marriage by divorce or annulment. On application, pension credits of the husband and wife are added together and divided equally. Quebec has made similar amendments to the Quebec Pension Plan.

Another problem associated with women and the Canada/Quebec Pension Plan concerns the treatment of wives of owners of unincorporated businesses or farms. While the proprietor can make contributions as a self-employed person, the wife (or spouse) employed in the enterprise may not contribute to the Canada/Quebec Pension Plan. The question is whether the discriminatory treatment of wives employed in unincorporated enterprises in contrast to those in incorporated ones is justifiable. Your Committee is of the opinion that the present arrangements are unfair and should be corrected.

Conclusions

Your Committee concluded

1. that the private pension system in Canada has several features which discriminate against women;
2. that the inadequacy or absence of survivors' benefits and other shortcomings of the private pension system contribute to the poverty of many elderly women;
3. that the pensions available to women under the Canada/Quebec Pension Plan are pitifully small;
4. that pension sharing is the best way of dealing with the inadequacies of pensions for housewives;
5. that the public pension system discriminates against women who are employed by their husbands in unincorporated enterprises such as farms.

Recommendations

Your Committee recommends

1. that the federal and provincial governments and the pension industry be urged to make it obligatory for private pension schemes to provide adequately for survivors;

2. that the reciprocal and equal sharing of pensions under the Canada/Quebec Pension Plan be adopted as the best method of providing

pensions for housewives and that the equal sharing of any pension entitlements earned by either spouse during any period of marriage should confirm the fact that marriage has some of the essential qualities of a partnership;

3. that the rules which bar women employed by their husbands in unincorporated enterprises from contributing to the Canada/Quebec Pension Plan be eliminated;

4. that any unfair discrimination against women in the pension field not based on accepted and sound actuarial principles should be vigorously attacked by the provincial and federal authorities responsible for human rights.

Part VI

Special Groups in the Population

1. Mobile workers
2. Seasonal workers
3. The self-employed and Registered Retirement Savings Plans
4. Avenues of progress

1. Mobile Workers

The use of the term "mobile" in this context does not refer to itinerant workers but rather to those employees who work for more than one employer before retirement. This does not imply that they habitually work for short periods or that they change jobs with unusual frequency. They are merely people with interrupted work histories. It has already been mentioned that, on the average, Canadian workers change their jobs seven times during their working careers. At the present time, there is a provision in most of the legislation dealing with vesting that sets the minimum standard of 45 years of age and ten years of employment with the same employer. More liberal standards can be adopted in pension plans but the minimal criteria must be met where they are specified by statute. Workers who change their jobs either by intent or because of layoffs may well find it difficult to meet the criteria of vesting. In certain occupations, fairly frequent job changes are dictated by the nature of the work with the result that a high proportion of workers find that their pension rights at the end of their working life are negligible or non-existent.

The Department of National Health and Welfare observed on the subject of mobile workers in a brief presented to your Committee:

> The number actually receiving pensions is small, in large measure because of inadequate vesting provisions and a lack of portability between plans. Vesting provisions have improved substantially since the mid-1960's. The proportion of members in plans providing vesting with ten years or less service rose from 37 per cent in 1965 to 59 per cent in 1967. Much more is needed, however. Without major improvements in both coverage and vesting provisions, studies show that job mobility will continue to reduce the years of pensionable service for most workers.[1]

To say that they should have set aside some appropriate portion of their earnings to finance their retirement years is no doubt excellent advice. Unfortunately, it is not very realistic, for several reasons. One is that for most young people retirement is beyond a far distant horizon and does not bear heavily on current decisions. For another thing, there are others who are concerned about the wasting effects of rising prices and worry that their savings will wither over a period of years. Perhaps of even greater importance is the natural human tendency to attach more importance to the satisfaction of current needs than to something that may be required in the remote future.

The problem is by no means uniquely Canadian. The Organisation for Economic Co-operation and Development observed in 1977 on the situation in fifteen OECD countries:

> In the event of manpower mobility, the *maintenance of pension rights,* especially in private schemes, is not always provided for: a worker who changes his trade several times during his career (or simply changes employers in the case of enterprise schemes) may find that he cannot

validate all his pension rights, particularly in schemes which require a minimum period of contribution.[2]

One approach to the problem of the mobile worker is to liberalize dramatically the vesting provisions that now exist. This suggestion has already been discussed in general terms in Chapter 2 of Part III. The basic proposal is that the time period required for vesting should be reduced to one year and that the age criterion should be abolished. This would mean that mobile workers would accumulate pension rights in the form of deferred annuities although it is likely that there would be a large number of small entitlements.

The administrative aspects of managing and controlling large numbers of these small deferred annuities by private employers are formidable. There is a cost associated with the record-keeping involved and this could become significant over a long period. An even more impressive problem would be to keep track of former employees who would be entitled to a deferred annuity at some future time. Conceivably there could be a number of different employers maintaining records for the same individual although the amounts involved for individual companies may be small. The lifespan of many small companies is limited because of mergers, bankruptcies and abandonment with the result that old employment records would be hard to maintain. Clearly the administrative aspects of early vesting could create serious difficulties, and it is essential to face this problem squarely.

Even where mobile workers' pension credits are now vested, the employers are in most cases unlikely to protect them from wastage by inflation between the time the employees terminate their employment and the time their retirement income begins. For example, an employee who started work at age 25 and left his first employer at age 45 might find his pension contributions inadequately protected against inflation between the ages of 45 and 65. Many pensions are based on final earnings, and the final earnings of an employee at age 45 would be considerably lower than the final earnings of the same employee at age 65 should there be inflation in the intervening years. During these twenty years the pension credits of the mobile workers would not be adjusted in line with cost-of-living increases, while those of the long-service employees would grow because their earnings would include cost-of-living adjustments as well as normal wage rate growth. The inability to protect the mobile workers' pension credits is a serious drawback of private plans.

There already exists, in the form of the Canada/Quebec Pension Plan, nation-wide administrative machinery that could absorb the many thousands of deferred annuities and incorporate them in the system. The computer facilities exist and could almost certainly absorb the additional record-keeping function. The files would also record the most recent employment record of individuals as well as their employment histories. Apart from this mechanical aspect of the operation, the

existing pension scheme has a number of very desirable features which have already been described.

The funds accumulated under this proposal should be differentiated from the ordinary contributions to the funding of the Canada/Quebec Pension Plan. It is suggested that the accumulated funds should be invested by a self-supporting Crown agency made up of representatives from the insurance industry, financial institutions and pension funds as well as the general public. The administrative costs of the agency would be paid for out of earnings from its investments. The funds should be invested in accordance with the standards established for private pension funds. The proceeds from the investments would be applied to maintain the value of the locked-in contributions unimpaired by increases in consumer prices assuming that the yield on the investments would keep pace with inflation.

2. Seasonal Workers

Seasonal workers, such as fishermen, loggers and farmers, in certain areas, raise some of the problems of mobile workers in an aggravated form. Under any practical scheme of vesting it is not easy to include seasonal workers, particularly since many of them may never be able to qualify for vested rights. Many seasonal workers are either self-employed or do not quite fit into ordinary employment patterns. An example is the co-adventurer encountered in the fishing industry in the Maritimes. Another problem is that retirement is often a concept foreign to seasonal workers. They work as long as they are physically able and usually there is not the overnight change in status that characterizes retiring industrial or office workers. There does not appear to be any easy way of incorporating seasonal workers into private pension plans.

The Canada/Quebec Pension Plan does, however, offer the possibility of providing seasonal workers with needed income support at the end of their working lives. It is true that the size of the pension under present rules would be small, but a strong case could be made for augmenting the contributions and the benefits of seasonal workers as the Canada/Quebec Pension Plan matures. The proposals advanced earlier concerning the liberalization of the plan could perhaps be applied with little change to seasonal workers, although some special arrangements would be essential.

3. The Self-Employed and Registered Retirement Savings Plans

Self-employed individuals such as doctors, lawyers and other professionals were given an important concession in 1957 when, by an amendment of the Income Tax Act, they were permitted to deduct from their incomes amounts contributed to a Registered Retirement Savings Plan or RRSP. The purpose was to defer the tax on this portion of income and to pay it on the amounts withdrawn during retirement or some other period when the individual was in a lower tax bracket. Contributions of up to the lesser of 20 per cent of annual income or $5,500 can be deducted. If, however, the individual is employed and belongs to a registered pension plan the limit of the deduction is $3,500 or 20 per cent of earned income, whichever is smaller. While initially the scheme was designed to serve the self-employed, its application is now universal and RRSPs can be established by anyone.

Although there are some variations in the nature of RRSPs, it is usual that an individual or a spouse makes payments to a financial institution and upon retirement receives payments that are taxable. One of the rules issued by the Department of National Revenue governing RRSPs was that the funds accumulated in an RRSP must begin to be used no later than age 71. At one time, the proceeds could be used after age 60 only to procure a life annuity but in 1978 the law was changed to permit withdrawals from the fund to be spread over the years between the establishment of the fund and age 90. Any lump sum withdrawals at any time would, of course, be taxable at the normal rates.

There is no doubt that an RRSP can help to augment an employee's retirement income. What is doubtful, however, is whether the RRSP is an appropriate means to augment the retirement income of the average or low-income worker. The ability of such tax deferral schemes to provide adequate coverage for those groups currently not covered by the private pension system, particularly the low-income groups, is minimal. Table 6 shows the rate of coverage of RRSPs for each income class in 1976. It is easy enough to see that RRSPs as a form of private saving are accessible in significant amounts only to those who can save. Clearly, the Canada/Quebec Pension Plan is far superior for the lower-income groups as a device for saving for retirement than RRSPs.

An examination of comparable figures for the 1974 taxation year shows that the changes between 1974 and 1976 were not significant.

These plans are not, in general, an effective complement to a private job-related plan since they are of benefit mainly to a few, mostly upper-income earners. Moreover, since an RRSP is a tax deferral plan, the benefits accrue to those in the higher tax brackets. The usefulness of RRSPs to low and medium-income groups is minor because their tax liabilities and their ability to save are limited.

It should be noted that some employers are using so-called group

Table 6

Average Contributions to Registered Retirement Savings Plans by Income Class (1976)

Income class (dollars)	Average contributions	Coverage as per cent of income class
0 - 2,000	381.11	0.25
2,000 - 3,000	429.82	0.44
3,000 - 4,000	342.39	0.72
4,000 - 5,000	396.76	1.49
5,000 - 7,000	616.99	2.79
7,000 - 10,000	771.44	5.95
10,000 - 15,000	1,052.87	11.98
15,000 - 20,000	1,343.53	20.89
20,000 plus	251.21	41.41
TOTAL	1,638.24	10.46

Source: Revenue Canada, *Taxation Statistics, 1978 Edition* (1976 taxation year).

RRSPs as a substitute for a more conventional pension plan but this designation is valid for administrative purposes only and, in fact, the group RRSPs are merely an aggregation of individual plans.

Despite their place as a tax avoidance device, RRSPs have some basic handicaps. In case an emergency arises and it becomes necessary to withdraw the money accumulated in the fund, the tax liability might be quite high. Apart from this, some RRSPs are subject to either front end loading or administrative charges that may be unexpectedly high.

There is also the persistent problem of the eroding effect of inflation. For an average person the amount that can be diverted to an RRSP is limited, with the result that it takes a considerable period to build up a capital sum sufficient to yield a worthwhile pension. In the intervening years inflation may be very damaging unless the RRSP can be insulated against its effects.

4. Avenues of Progress

It is abundantly clear that the private pension system is not adapted to dealing with mobile workers, seasonal workers, or the self-employed. A pension system with rigid vesting requirements might inhibit the mobility of workers and have undesirable effects on the economy. At the same time, mobility does lead to a sacrifice of pension benefits associated with private plans. In the same way, seasonal workers are handicapped since it is nearly impossible for them to participate in private pension schemes because of the sporadic nature of their work and their inability to meet vesting standards. There are strong arguments for treating seasonal workers as a special group under the Canada/Quebec Pension Plan. Another group of individuals who suffer from discrimination are the self-employed. The concern here is not with the highly paid professionals who can look after their own financial affairs but with the low-income groups who manage small enterprises. There does not appear to be any practical way to assist these various disadvantaged groups except by a major overhaul and liberalization of the Canada/Quebec Pension Plan.

Conclusions

Your Committee concluded

1. that the pension entitlements of mobile workers, seasonal workers and certain classes of self-employed workers are inadequate.

Recommendations

Your Committee recommends

1. that, with the introduction of early vesting, the pension benefits of mobile workers under private pension schemes be transferred to the Canada/Quebec Pension Plan;

2. that the fund accumulated by the Canada/Quebec Pension Plan consisting of the pension benefits of mobile workers be managed by a Crown agency consisting of representatives of the insurance industry, financial institutions and pension funds as well as the general public, with the primary purpose of investing the contributions in an efficient manner and protecting the fund against the inroads of inflation;

3. that the benefits that have accrued to individuals be made available to them on retirement in the form of annuities;

4. that the problem of inadequate or nonexistent pensions for seasonal workers be dealt with by creating a special category for such workers under the Canada/Quebec Pension Plan with a premium and payout structure designed to meet the abnormal aspects of seasonal employment;

5. that the appropriate body or bodies provide the public with clear

standardized statements of all the conditions attached to RRSPs, including administrative costs, fees for termination and any other aspect of RRSPs relevant to the investor.

Part VII

Assistance for the Aging

1. Services for the elderly
2. Alternatives to living in institutions
3. Retired people as a resource
4. The conservation of people

1. Services for the Elderly

While older people may continue to work for longer periods, there will come a time when they may want or be forced to retire. Then they may require help from the community, additional services, and perhaps some recognition from former employers.

Once employees retire, it is quite a common practice for employers to maintain contact with them in one way or another. Sometimes this involves sending them staff publications regularly or inviting them to participate in the social events of the active employees. In other cases, former employees are encouraged to participate in the social or recreational clubs that primarily serve regular employees. In addition, there are many associations of retirees who meet regularly and carry out active social or cultural programs. Although in some cases the costs to the employers are not great, their involvement is benevolent and possibly is good for the public relations of the company. Clearly, one of the great enemies of the retired is loneliness and these employer-sponsored efforts to help them maintain social contacts are valuable. Despite some productive programs, there are still few instances where retired people have any company-sponsored plan to assist them in becoming accustomed to their new regime. Because of the gaps, the federal government in Canada has undertaken, among other things, a noteworthy scheme known as New Horizons which deserves more careful examination.

The New Horizons program was begun in July, 1972 on an experimental basis with an annual budget of $10 million. The announced purpose of the scheme was to permit groups of retired persons to take a more active part in community activities. However, it was to be the responsibility of the retired groups to select their own social or other activities, the role of the government being to provide cash grants but not to initiate projects. The program relies on volunteers who select and carry out programs of their own choosing.

At the end of 1974 it was agreed that the program should be a continuing one and the annual grant was increased to $14 million. Provision was also made for regular consultation with the provinces to achieve a co-ordinated approach.

Financial assistance is available for periods up to eighteen months. It is hoped, of course, that the projects will be able to continue with other resources after the New Horizons funding is exhausted. Some of the major activities sponsored have been concerned with sports and recreation, crafts, educational, historical and other cultural activities, information services and drop-in centres. Projects have to meet specified criteria to qualify for federal grants, and reviews are carried out from time to time to assess the effectiveness of the program. There can be little doubt, however, that the New Horizons program, despite its modest size, has made a significant contribution to the elimination of one of the bugbears of old age, a feeling of isolation.

Income is of great importance to retired people but there are other

needs which must be borne in mind. One of these is the provision of counselling services. These may cover a wide range of subjects.

First, there is the question of health care. The main concern here is not with acute medical problems but rather with the benefits of physical activity, the importance of good nutrition and of regular medical and dental examinations. Nutrition is of special importance because of widespread ignorance of good nutritional practice. With some old people, poverty or lack of appetite may lead to poorly balanced meals and too much reliance on tea and toast or similar snacks. Sometimes elderly individuals or couples find the preparation of proper meals too much bother or the preparatory shopping burdensome with the result that they may encounter some nutritional deficiency or imbalance. There is little doubt that the imaginative program identified as Meals on Wheels is of incalculable benefit to many of the elderly who are frail or whose mobility is impaired.

Second, elderly people often have a need for objective and professional financial advice. They may need guidance, for example, in connection with their housing. Not infrequently the drop in post-retirement income is significant and it may not be practical to keep the same living quarters. This is a situation where good advice is essential because the amounts of money involved may be large. In another field, some old people have tax problems and need help in completing income tax returns.

Third, and allied to this is the possible need for legal counselling. Old people may well need legal advice in dealing with some issue such as a landlord-tenant dispute, the drawing up of a will or some consumer problem where they have been victimized.

The surveillance of the elderly may be a major benefit whether it be done on a volunteer basis or by the use of professionals such as visiting nurses. The system of regularly telephoning elderly people who live alone is an economical and useful technique for assuring that someone who is incapacitated because of an accident or illness will get attention. Sometimes this is something that can be done through church groups. This question was reviewed by the Organisation for Economic Co-operation and Development, which concluded:

> It does not become a society to leave old people completely isolated, at the mercy of the slightest accident of health which, in the absence of any contact with the outside world, may assume tragic proportions. A telephone network should at least be installed so that old people can always get in touch with a caretaker service.[1]

Despite the undoubted usefulness of providing the elderly with skilled professional counselling it is well known that "fine words butter no parsnips." What is often more essential is the provision of specific physical services.

2. Alternatives to Living in Institutions

The members of an extended family were often available to provide help to the elderly in the past. They continue to need these services and there is no adequate substitute even if the old people have adequate incomes. The support provided by family members can make life more agreeable for the elderly quite apart from the fact that it helps to keep them out of institutions. The system of mutual support that was once standard is disintegrating and there is needed in its place a system which will look after the elderly. They obviously have a need for social services quite different from other segments of the population. The goal is to provide the elderly with the means of achieving a fulfilling and comfortable life.

To uproot the elderly from their accustomed surroundings is often a cruel if unavoidable act. There is a certain serenity about living with the same furniture and the same neighbours, not necessarily because of their quality but because they are familiar and comfortable. Perhaps this is because of past associations or memories of happy or sad events. There is an aura about old houses and it becomes a part of the people who live in them. If they are forced to conclude after retirement that they can no longer stay in their home or apartment, they leave something of themselves behind. Probably the most usual reason for moving is that retirement income is no longer sufficient to pay for the costs of their home or their rent. Your Committee is of the opinion that the proper authorities might consider a general abatement of property taxes for those 65 and over in situations where such taxes were causing hardship. Cheaper alternatives might have to be found in a less expensive neighbourhood or in some more drastic step such as moving in with relatives. It is not the intention to dwell on the particular problem arising out of severe cuts in income in this place but rather to consider the plight of the elderly who can no longer manage their homes because of infirmity.

In part, the problem arises from the severe winters in Canada. Shopping may involve difficulties if it means walking on icy streets in bad weather conditions. Snow removal around the home is a tedious and often backbreaking operation best performed by young people or machinery but unsuitable for the elderly whether or not they have cardiac problems. Although the heavy outdoor work stands out as a problem it must also be emphasized that many routine household chores are physically demanding. If the elderly develop physical infirmities, they often find such things as vacuum cleaning or doing the laundry too taxing. Cleaning in awkward places may also be beyond their ability because they have lost the agility they once had.

Arranging assistance for outdoor chores is often relatively easy, particularly if there are young people in the neighbourhood. However, the provision of homemaking services to the elderly requires much more

effort and difficulty, partly because of the scarcity of labour that is willing or competent to do the often unattractive household tasks that cannot be done by the frail elderly. In order to function efficiently, homemaking services should be arranged for by a social service or related agency with the capacity for hiring and supervising the inside workers.[2]

The increasing number of old people will surely lead to a steady increase in the number of apartments specifically designed for the accommodation of the elderly. Although this may mean moving to new living quarters, it at least avoids the problem of consigning people to institutions. The architectural features of such housing can be adapted to the needs of the elderly and their independence preserved to the greatest possible extent.

Apart from the question of homemaker services, there is an even more complex problem in the provision of home nursing care. In certain types of illnesses or convalescence, the availability of visiting nurses may make it possible for the elderly to stay in their homes instead of an active care hospital or a nursing home. The best known agency devoted to home nursing is the Victorian Order of Nurses although essential contributions are also made by the public health nurses. Quite apart from the social and psychic benefits it is obvious that there are significant financial savings to be made if people can be kept out of institutions.

It should be emphasized that the philosophy that the aged should be kept out of institutions as long as possible ought not to be regarded as a wholesale condemnation of institutions designed to serve old people such as nursing homes or convalescent homes. They have an essential place in the scheme of things and many of them meet very high standards in all respects.

The time must come nearly always when the very old, the group who are over 85, or the sick will need to be looked after in institutions. The specialized care is essential and it has been pointed out that, with the best will in the world, grandparents cannot care for great-grandparents. But the longer old people can continue to function as active members of their community the happier they will be.

3. Retired People as a Resource

One of the anomalies that arises out of mandatory retirement based on age is the fact that some employees who are forced to retire at some particular age such as 65 are then hired on contract. The fiction of mandatory retirement is thus preserved and yet the skills and experience of the retired person are not lost. There is no way of knowing how frequently this device is used but it does destroy the myth that people are ready to fall apart at 65 or some comparable age.

In fact, old people have been relied on as teachers since the earliest times. The tutelage of the young became the special province of the elderly, usually the grandparents, when they were no longer able to carry on with manual labour. The traditions and myths of both families and nations have been passed down orally from generation to generation. At one time the elders of the family or the tribe were looked on with great respect as the repository of history, tradition and religious observances. Today, on the contrary, the aged are often treated with scant respect. One gerontologist has written:

> We view aging as little more than decline, with no redeeming personal or social value. Old age has become an absurdity, a time of life with virtually nothing to recommend it.[3]

This is a tragic situation.

There is abundant evidence to show that, in general, persons 65 and over make satisfactory employees. Ample studies have been done to compare absenteeism, sick leave and work capacity with other age groups in companies which do not have mandatory retirement ages. The conclusion is that those 65 and over are competent members of the labour force allowing, of course, for those whose capacities are diminished by poor health. It should also be clear that certain occupations put particular stress on the strength or endurance of an individual and these must be treated specially.

There are many instances where skilled craftsmen retain their coordination and have useful contributions to make as either artisans or teachers. It is remarkable how some of the great musicians such as Rubenstein and Casals retained their abilities unimpaired until an advanced age. These are extreme cases but more generally there are many thousands of people who are forced to retire because of their age who are capable of making a useful contribution to the economy. Although waste is not always an easy concept, it does seem wasteful to deny people the chance to contribute to the output of the country.

One pernicious notion should be put to rest. It does not materially alleviate the problem of unemployment among young people to dismiss people 65 and over under a mandatory retirement rule. The flaw in the argument is that the number of people is so small that any effect would be of negligible importance. The notion that the withdrawal of an elderly person from the labour market automatically provides a place for an unemployed youth is primitive and incorrect.

It should be noted also that the high level of unemployment among young people is unlikely to continue. It has been suggested by the Economic Council of Canada that there may be some slowing in the rate of growth of the Canadian economy in the early 1980s accompanied by some decline in the labour force. It is intimated that, unless there is an extremely high level of immigration or a marked increase in the rate of female participation in the labour force, there may be a significant drop in unemployment levels by that time. It is therefore a real possibility that the early 1980s will be marked by labour shortages.[4]

The evils of unemployment are apparent enough but labour shortages also are disruptive and damaging to the performance of the economy. It would therefore appear to be the worst kind of error to pursue a policy which discriminates against the elderly by a policy of mandatory retirement or discriminatory hiring practices. The human resources of a community constitute invaluable capital assets and it is economic folly to immobilize a significant and growing part of these assets.

4. The Conservation of People

A great deal has been spoken and written about the conservation of our natural resources and the protection of the environment, not to mention various kinds of animals and birds. The emotional fervour devoted to the fate of falcons, cranes, pelicans and eagles may be laudable but it would be unfortunate if this led to the neglect of humans who are handicapped. It is, of course, not always the case that the elderly are handicapped, far from it, but advancing years often bring economic and physical problems in their train. The elderly require special treatment in a great many ways and a society is much poorer if it treats its old people with disdain or contempt.

In part, the problem is one of social attitudes and the rapidity of technical change. The so-called conventional wisdom of the elderly may not be of great value in a technically oriented society where the old people may not have a great deal to offer in dealing with complex scientific issues. Their contributions are bound to be different but valuable nevertheless. The contributions of wise counsel to a harmonious community cannot be replaced by nuclear physics. Old people deserve to be treated respectfully and not dismissed as senile even if their mental acuteness has declined. For one thing, it was their labour and their sacrifices which produced much of the infrastructure of capital which contributes to the high standard of living enjoyed by the nation.

The respectful treatment of the elderly is not entirely a question of compassion, altruism or filial duty. It may happen that in the foreseeable future the older generations will be able to make their demands on society felt more effectively than at present. The question here is how well and how quickly the elderly will be able to organize themselves as a cohesive political force. It will be recalled that there are currently something over 2 million Canadians aged 65 and over. It is anticipated that this number will grow to 3.4 million by 2001 and in the following decades will grow with great rapidity. The elderly have important common bonds and the potential is there for formidable political power. The organization of retired or elderly people at present appears to be rudimentary or fragmented but one can visualize associations of the elderly in the future which will be a political force of consequence. The elderly often have both leisure and motivation and with skillful organization could form a strong political bloc.

The experience of the United States is instructive. The organization of the elderly or the retired seems to have moved faster than in Canada. In consequence, the political influence of the elderly in the United States is a force to be reckoned with. There are a number of mature organizations who can make their wishes felt. Two of them alone, the American Association of Retired Persons and the National Retired Teachers Association had a combined membership of over 12 million in mid-1979. There is every indication that the political power of such groups will increase with each passing year.

Conclusions

Your Committee concluded

1. that the provision of expert and dispassionate counselling services relating to legal, financial, health and family problems to the retired elderly is valuable and should be one of the primary aims of those providing social services to old people;
2. that the federal New Horizons program has made a useful contribution to the lives of older people and should be continued;
3. that one of the goals of social policy respecting the elderly should be to enable them to remain in their own homes and out of institutions to the maximum extent possible;
4. that the elderly are a valuable addition to the manpower resources of the country and special efforts should be made to use their talent and experience;
5. that the elderly should be better organized in their own interest.

Recommendations

Your Committee recommends

1. that increased resources be devoted to homemaking services, particularly by the municipalities;

2. that the federal New Horizons program should be given continued support, that maximum flexibility should be stressed, that efforts should be made to use the skills of the elderly in reaching segments of the elderly population now left out of group activities and that every encouragement should be given to projects involving social services for the elderly;

3. that policy directives should be issued by the appropriate authorities for the purpose of improving employment opportunities of those 65 and over and discouraging the elderly from leaving the labour market;

4. that the retired elderly should organize, protest and show militancy in order to improve their chances of achieving dignity, obtaining higher incomes as well as medical and other services and finding useful work.

Part VIII

Planning for Retirement

1. The need for retirement planning
2. Second careers
3. Changing patterns

1. The Need for Retirement Planning

Many individuals who are about to retire face problems of adjusting to the new lifestyle retirement brings. Unfortunately, they are often ill-prepared to cope with their problems.

Warner Lambert Canada Limited, which is one of the few private companies in Canada with a full-scale pre-retirement counselling program for its employees, summed up the issues:

> During individual pre-retirement counselling sessions, which we normally conduct two or three months prior to the employee's retirement day, we observed that many employees were totally unprepared for their retirement years; it was for them a worrisome ordeal, with lots of financial problems, loneliness and confusion .... First of all, we felt that some of the physically and mentally fit wished to continue working. They felt they were being excluded from continuing in the work force and were not prepared for that. Financially, some were not prepared, either. In other words, they did not do any personal planning for themselves through RRSPs or annuities. We also found that, psychologically, they were not prepared for it. Many employees are afraid to admit that they are approaching 65.[1]

Pre-retirement counselling can play a vital role in helping to overcome these problems.

The main difficulty facing individuals on retirement is usually financial. Surprisingly, few employees seem to be aware of their retirement income and the fact that, for many of them, retirement could mean a substantial drop in living standards. Partly this is because they are unaware of the effects of inflation which could result in declining living standards during their retirement years. Being unaware of this problem, they often do not make adequate plans to cope with it.

Pre-retirement counselling can help employees to deal with this question. For example, Warner Lambert Canada Limited, in its pre-retirement counselling program, invites an expert on pensions and estate planning to speak on the general subject of income for retirement and how to make both ends meet. This includes information on the Canada/Quebec Pension Plan, Old Age Security, annuities, and stocks and bonds. Employees are encouraged to draw up a record of their retirement income and their corresponding liabilities so that they will have a clearer understanding of their financial position and be less likely to encounter unpleasant surprises.

A decision that some individuals must make on retirement is whether to seek a second career. Their motivation may be to improve their financial position or to give new purpose to their lives. Pre-retirement counselling can help individuals to formulate plans for a second career and to test these plans before they actually retire. All too often, people tend to postpone any positive action until the time of retirement is just around the corner and by then it is too late. Counselling sessions which start a few weeks or months before retirement are usually not

very helpful. Those who have worked in this area suggest that retirement planning and counselling could begin as early as age 45, although by age 55 it is easier to capture the interest of employees.

Another problem that retired people face is what to do with their time. As emphasized earlier, for many individuals, their job has provided not only income, but also status, friends and social life. With retirement they may find themselves cut off suddenly from their former colleagues because workers have different interests and concerns. When they retire their self-esteem may be damaged because of their new status. The constructive use of leisure must be learned or there is a risk that retirement will be marred by apathy and depression. Pre-retirement counselling can help employees by encouraging them to think about what they might do in such fields as leisure activities, volunteer work, and hobbies. If people can be made to understand what is in store for them there is less likelihood of adjustment difficulties. Wives and husbands should be included in this pre-retirement counselling for they both face the same problems of adjusting to a new life.

The need for pre-retirement counselling is acute. Unfortunately, information on what is actually being done in Canada is sparse. The precise number of programs is unknown and the effectiveness of those programs which are known has not been adequately analyzed.

Within the federal government, several departments and agencies now offer pre-retirement counselling programs to their staffs. Very little information is available on the effectiveness of these programs. Within the provinces, a wide variety of agencies now sponsor programs. In addition to provincial and municipal governments, universities, colleges, boards of education, private companies, churches, professional organizations, and private counselling services are involved. The courses that these various organizations offer vary in content and length. Some are crash courses offered over a period of one to three days; others are more regular courses given once weekly for two to three hours during the day or evening over several weeks. The scope of these activities varies from one province to another.

In addition, your Committee learned of the work on pre-retirement planning being sponsored by the Association of Canadian Pension Management and recognizes that this will be valuable to the private and the public sector alike.[2] However, despite the steps that have been taken, your Committee was impressed by the lack of pre-retirement counselling programs on the part of private companies and the inadequacies of those undertaken by the public authorities. What is clear is that much more should be done to devise and implement effective programs in this country to prepare men and women for the many years they will spend in retirement.

Your Committee, therefore, recommends that the public authorities and private companies undertake to introduce effective pre-retirement programs on a much more widespread scale. It also believes that more

research is necessary to determine the effectiveness of existing programs and to develop model programs which will promote the best adjustment to retirement for the majority of individuals.

2. Second Careers

The notion of total retirement from the labour force is repugnant to many workers who have reached 65 and is even more unattractive to those retiring earlier. Some of these workers may have left their jobs reluctantly because of mandatory retirement. Others may have quit willingly but in both cases they may want to keep active in some other employement.

They may seek a second career because of a revulsion against idleness and lack of purpose. Many of those who retire in their mid-50s, for example, will not be content with a life devoted to fishing, bingo, playing cards or similar leisure time activities, assuming that their physical and mental health is not impaired. In many cases, however, workers may need a second career not just to escape idleness, but because of economic necessity. They may find their retirement income inadequate to maintain the standard of living they want.

For those workers who are under no economic pressure to find gainful employment, voluntary work could provide the answer for a second career. They could devote their time, energy and talent to programs designed to assist others in the community. Many activities involving both old and young people who are handicapped in some way as well as others can benefit from the experience and compassion of the elderly. These activities may involve work with the sick at home or in hospitals or nursing homes as well as with retarded children or isolated old people. The churches or social service agencies sponsor many programs of this kind that have tremendous requirements for willing hands and minds. If material circumstances permit, retired persons may, for the first time in their lives, have the satisfaction of spending large amounts of time in helping others, a service that money alone cannot buy.

For those who are under economic pressure or who find satisfaction only in paid employment, the problem can be much more complicated. Job opportunities for persons over 50 are not readily available and special qualifications are needed to overcome discriminatory attitudes. What is also essential is careful advance planning to prepare for the second career.

There are various ways that a retired person can earn extra money. Self-employment can often offer the greatest job satisfaction if one can be successful at it. This would include many creative or commercial activities ranging from writing to becoming an antique dealer. People should not, however, be under any illusion that self-employment can be easy. It almost always requires either considerable technical skill or capital or both to earn sufficient income from it.

Part-time employment probably offers more scope for the older people. Retail stores, for example, often hire people on rush days or during busy seasons. Older people can also earn money and keep occupied by selling household products.

Full-time employment may also be possible for workers who have

retired once though this can be difficult to find. As noted above, employers are reluctant to hire older workers, particularly those over 65.

Evidence presented to your Committee also shows that the elderly are inclined to adopt a passive attitude. For example, relatively few workers 65 and over come to the Canada Employment and Immigration Commission for assistance. Of those who do apply only a few are successful in finding work, and fewer still are accepted for vocational training to qualify for another job.

In testimony before your Committee, a witness from the Canada Employment and Immigration Commission pointed out:

> The Canada Employment and Immigration Commission offers its employment services to all Canadians of working age, and there is no upper limit. But only a very small number of those of 65 years of age or over come to the commission for assistance. We conducted a recent sample survey by telephone in preparation for our meeting with you today, and that survey suggests that less than one per cent of all the people registered in our Canada Employment centres across the country are 65 years of age or over. This is supported by another survey that was conducted last year in the province of Quebec, where it was established that 1.75 per cent of all the registrants in all of the Canada Employment centres in the province of Quebec are 65 plus years of age. Of that group, 80 per cent were seeking employment and another 14 per cent were seeking training. Of those registered one third, 33 per cent, were referred to employment and about 10 per cent succeeded in getting jobs. So that suggests that very few elderly people use our national employment service, and of those who do, very few succeed in getting work. In respect of training, the situation is even somewhat more bleak. Last year there were 41 trainees age 65 or over placed in industrial training, out of 77,000 trainees.[3]

The age discrimination against the older worker in this instance is not explicit; the older worker can apply to the Canada Employment and Immigration Commission in the same way as a younger worker. The discrimination rather is indirect because of the fact that our society today does not encourage the older worker to seek employment. As the Canada Employment and Immigration Commission witness explained:

> Age discrimination, unfavourable economic conditions, high unemployment, misunderstanding or lack of understanding about the employment potential of older workers, present a pretty formidable array of barriers facing those who want to work and need work.[4]

At the Canada Employment and Immigration Commission and among employers generally the focus is on the younger workers who are clearly given priority. Older workers seeking full-time employment are less than welcome almost everywhere. The unfriendly reception of older job seekers is partly a product of the current high level of unemployment. As long as this unemployment exists it is unlikely that the present emphasis on training and finding jobs for the younger as opposed to the older worker will change. However, if the existing labour surplus is replaced by a labour shortage, societal attitudes could change

dramatically. At that time, older workers may find themselves treated as a treasured human resource rather than as unwanted job-seekers in an overabundant labour market.

This problem of age discrimination against the older worker is not limited to Canada, but is world-wide in its scope. All developed countries have the same problem and to a greater or lesser extent the different governments of these countries have been giving some consideration to it. In 1974, a United Nations Expert Group Meeting on Aging, which was convened to advise the Secretary-General on objectives, policies and programs for the aging, made the following recommendation:

> Governments should also endeavour to identify the useful skills which the aging possess and the opportunities for utilizing them, and, wherever possible, national policies should be addressed to vocational guidance, retraining and new careers for those in the middle as well as later years of life.[5]

Very little has been done by any developed government to implement this proposal.

The United States has gone further than Canada in this direction. It has enacted legislation providing for training and employment programs for a number of special target groups including middle-aged and older men and women.[6] However, the program is based upon the discretionary use of funds, and so far other special groups, for example, young people have received most of the funds.[7]

Your Committee believes that more should now be done in Canada to promote job training and job placement for the elderly. It recommends that appropriate measures be taken by the Canada Employment and Immigration Commission to ensure that its offices are better equipped to deal with requests for job training and job placement by the elderly and to offer encouragement to the older worker to use the opportunities for placement and training more freely.

3. Changing Patterns

One of the main sources of difficulty for older people is that retirement often occurs so suddenly. Their fate is determined by the provisions of the pension system or the personnel policy of the employer, and they really do not have the option of examining or experimenting with the complex choices between work and leisure. They may have leisure thrust upon them in unpalatable amounts. One of the characteristics of many old people is that they do not relish abrupt changes in their lifestyles.

Your Committee was impressed by some comments attributed to J. Wells Bentley, Pension Commissioner for Ontario, on the state of being retired. One witness quoted him as saying:

> We have conned a generation or more of people into the belief that retirement is a time of instant satisfaction — a new-found freedom from work and worry, a time of golden fulfilment, freedom for travel and all the other beautiful things. Because of this dream, this image we have created, we aim now for earlier and earlier retirement. This is a goal we seem to have set for ourselves. But I have grave doubts that this is the goal society should be seeking.[8]

It turns out, of course, in too many cases that expectations have been far too rosy and that the retirement years are a disappointment.

There is little doubt that the lot of retired people could be improved if their options were broader. One possibility is that retirement could be transformed into a gradual process so that the regular work load of those approaching retirement could taper off before full retirement. This would permit people to savour the pleasures of increased leisure and allow them to modify their style of living accordingly. Another possibility is the introduction of alternate periods of retirement and working. Then, of course, there is the option of continuing work beyond the time of normal retirement. These options are indicative of the need to give older people a wider range of choice and a greater understanding of the issues they are likely to face in retirement.

However desirable a more flexible approach to retirement may be it is obvious that the provision of income to those choosing the more unusual types of retirement programs will involve practical and administrative problems. This is partly because pension plans do not normally provide for sporadic comings and goings into and out of the labour force.

The study of patterns of time spent on education, work and leisure throughout an individual's life cycle clearly merits careful study and research in the future. There is probably a link between educational level and successful retirement. At least, there seem to be intuitive grounds for believing that those with an interest in reading and the arts in general may find more imaginative and challenging outlets for their leisure time than those who have little interest in cultural matters.

People are creatures of habit and many of them have developed an

attachment to their work that is difficult to sever without some unfortunate consequences. As a result, some programs have been introduced where retirement occurs gradually. For example, individuals may take annual holidays that increase year by year until they are accustomed to the idea of not working and are forced to learn to live with an increased amount of leisure. An alternative approach is reducing the number of hours worked per week but at the same time providing a partial pension. This is one of the opportunities offered in Sweden.

In Western Europe generally the tendency has not been to move to earlier retirement so much as to reduce the amount of time spent at work by reducing the time worked in a week or a month or a year. This not only allows additional vacation time, but makes it easier for individuals to improve their educational level or their training and skills directly related to the workplace.

Although such schemes have some attractive features, the problems of integrating reduced earnings and partial pensions are complex. Moreover, the scheme whereby individuals take longer and longer vacations would lead to difficulties in cases where continuity was important.

Older people may also seek further education as an alternative to work and leisure. While employers are not normally equipped to provide instruction themselves, their pre-retirement counselling activities can direct attention to the opportunities that are available. In recent years, there has been a rapid growth of courses dealing with crafts or technical subjects offered as extension courses in high schools or junior colleges. It is also true that many universities offer courses to persons over 60 or over 65 for a nominal fee and in some instances these courses may have specific vocational applications. For someone whose interests or skills are primarily clerical rather than manual there are many opportunities to acquire the necessary training for a variety of occupations through university courses. But it must be stressed that the time to embark on such preparatory programs is long before the fateful day arrives. Although it is suggested here that an important function of increased educational opportunities is to open up new occupational avenues to individuals, there are other and equally valid reasons for seeking further education.

The motivation may be simply to improve one's educational status. A good many people, for economic or other reasons, were denied access to a full education when they were young and this deficiency can often be partially remedied after retirement. This is not universally true but the universities and the community colleges have made a consistent effort to extend their facilities beyond the main urban centres so that many of the retired across the country have relatively easy access to educational opportunities.

Conclusions

Your Committee concluded

1. that pre-retirement counselling can play a vital role in helping individuals adjust to the problems of retirement;
2. that much more should be done to devise and implement effective pre-retirement counselling programs in this country;
3. that intelligently conceived counselling programs to make the transition to retirement easier do not require great resources and can be carried out relatively cheaply;
4. that many workers want second careers instead of retirement either to avoid idleness or to supplement their income;
5. that, while there may be good opportunities for part-time employment for older workers, employers are reluctant to hire older workers full-time unless they have special qualifications;
6. that a relatively small number of workers aged 65 and over go to the Canada Employment and Immigration Commission for assistance, and only a few of those who apply are successful in finding work or obtaining vocational training to qualify for another job;
7. that employers could facilitate adjustment to retirement by introducing more flexible programs of graduated retirement such as, for example, longer annual holidays or shorter work weeks for workers as they approach retirement.

Recommendations

Your Committee recommends

1. that both public authorities and private companies should undertake to implement effective pre-retirement programs;

2. that the Canada Employment and Immigration Commission should take appropriate measures to ensure that its offices are better equipped to deal with older workers, including: (a) improved job training facilities; (b) a more vigorous placement program; (c) more advertising of available services;

3. that employers should introduce programs of graduated retirement such as, for example, longer annual holidays or shorter work weeks, for workers approaching the age of retirement.

Part IX

Conclusion

1. An overview
2. Some contentious issues
3. The need for action

1. An Overview

The conclusions and recommendations of your Committee have already been described at the end of each part and assembled in one place at the beginning of the report for ease of reference. No purpose would be served in recapitulating all this material but it may be useful to reiterate the major recommendations. These are:

1. that the age of mandatory retirement be extended one year at a time for five years by the modification of federal rules, legislation dealing with human rights and pension plans; and that flexible retirement policies including the eventual abolition of mandatory retirement be adopted as a goal;

2. that contributions to the Canada/Quebec Pension Plan be increased to 4 per cent from employees and 4 per cent from employers compared to the present level of 1.8 per cent each and that this change be introduced by increasing the contributions 1.1 per cent for two years;

3. that employees be permitted to buy back pensionable time to January 1, 1966, by paying the difference required to bring both the employer's and employee's share to the new rates;

4. that the earnings ceiling under the Canada/Quebec Pension Plan be raised by 50 per cent to 1 1/2 times the average industrial wage, ultimately to roughly $20,000 at current wage rates;

5. that all contributors to the Canada/Quebec Pension Plan be permitted to draw actuarially reduced pensions beginning at age 60;

6. that husband and wife share equally in any pension entitlements under the Canada/Quebec Pension Plan that either one of them may acquire during their marriage;

7. that vesting after a period of one year be adopted in private pension plans and the benefits accruing to mobile workers should accumulate in a fund to be managed by the pension industry and other interested groups and be eventually available as annuities;

8. that more effective pre-retirement planning programs be undertaken in the private and public sectors.

These recommendations and the others form a basis for a better, more decent life for the older population in Canada, an age group which numerically and politically will become increasingly important in the coming years.

The humanitarian case for putting forward these recommendations should be clearly evident and beyond dispute. What may be less evident, however, is that these recommendations are equally defensible on economic grounds. Forcing people to retire at age 65 or some other artificial age limit, particularly when they have inadequate income, or discriminating against people in employment because they are no longer young are clearly objectionable on social grounds. They are no

more justifiable than discrimination because of religion. What may be less evident, however, is that flexible retirement also makes economic sense. By encouraging people to remain active in the working force beyond age 65, the social security and related costs of maintaining an aging population are reduced and the production of goods and services is increased. Flexible retirement can thereby make a real contribution to reducing the social cost of supporting the rapidly growing older population.

The proposed substantial expansion of the Canada/Quebec Pension Plan is also clearly desirable on humanitarian grounds. It is the only way to lift many of the Canadians who live in retirement out of poverty. Most retired workers now receive no private pension either because they moved from job to job or because their employer had no private pension plan. Those workers who do receive a private pension often find their standard of living declining because their pension is only partially indexed or not indexed at all.

The overhaul of the public pension system can be defended on economic gounds. The extra cost that the proposed expansion would involve should be manageable for both employers and employees. For the employee earning $10,000 a year it represents an increased contribution (saving) of $220 a year which should not be intolerable. For the employers who must match these contributions the amount should not be burdensome when considered in the light of other costs. It is also relevant to note that both contributions are tax deductible. The proposed deductions are not excessive when compared with the payroll deductions in other countries for social security programs. It has already been noted that in the United States, the employer now pays 6.13 per cent of each worker's earnings per year towards social security and the employee a similar amount. This involves a total in excess of 12 per cent in the United States in contrast to the proposed level of 8 per cent in Canada. In many European countries the rates are even higher. These costs have not prevented the industries in these countries from competing effectively in international markets.

It is not proposed to review the arguments which have been put forth in the body of the report. Instead, some attention will be devoted in the next section to the more general issues that arise out of recommendations as sweeping and complex as those in the report.

2. Some Contentious Issues

Some influential people hold that many of the ills of the body politic, and inflation in particular, are traceable to excessive government intervention. It is argued, sometimes with considerable force, that interference with the mechanism of a free market leads to distortions and, in short, does more harm than good. It is not the intention to pursue the argument, which is complex and difficult. The most realistic conclusion is that there are classes of social problems that can realistically be dealt with only by the state. The maintenance of public order comes to mind and even the most doctrinaire exponent of laisser faire would accept this. Similarly, there are many social problems that are outside the purview of the market. Sickness, mental or physical handicaps and poverty are persistent problems that cannot be dealt with adequately in the private sector. Government involvement is inevitable in any advanced and civilized country and in many cases the welfare costs of all levels of government are a budgetary drain. The recommendations of this report are quite different because their budgetary impact is negligible. In the area of retirement and post-retirement income support and allied matters, the emphasis is on the responsibilities of employers and employees; the function of the government is basically to establish the ground rules and to deal with accounting or bookkeeping. Some of the proposals involve interference with spending and saving patterns, but the magnitude of the change is not great. Over a period of years the relatively small amounts diverted to saving for the years of retirement will grow surprisingly. As an example, consider the accumulated value of an annual amount of $100 for forty years at an interest rate of 10 per cent per annum. At the end of the period, the amount would have grown to $44,259.25.

Your Committee accepts the view that people do have a responsibility to provide for their old age to the extent they can. Unfortunately, it is simply not practical for the poor to set aside much out of their current income. For those who can save there is the fear of inflation. Attitudes are strongly influenced by short-term trends in the value of money and some experts have suggested that the high levels of inflation experienced in the 1970s will continue. There are obvious perils in forecasting long-term trends and the disposition of people to save may be influenced more strongly by their mental attitude and habits than by what is happening to consumer prices.

It cannot be too strongly emphasized that the proposals in this report do not involve a raid on the public treasury. No recommendations are made to have governments take over additional welfare costs. In fact, one of the basic principles of the report is that any reforms that involve expenditures should be paid for in the same way that contributions are now made to the Canada/Quebec Pension Plan.

The unavoidable fact is that if the employers and employees do not now assume the increased costs of an expanded public pension system

through higher contributions, society will eventually have to assume these costs through increased taxes to bolster the pension system or for welfare payments. The present welfare assistance to the elderly takes many forms, including grants, tax credits and extended health care. There is little doubt that it will have to be substantially increased if better retirement income is not provided through the public pension system. The aging population, with its increasing political power, will not tolerate indefinitely a life of poverty in retirement. By contributing more to the expanded public pension program, employers and employees will need to contribute proportionately less to the future welfare program.

The recommendations of this report do not provide a panacea that will solve all the problems of old people in Canada. A significant number of Canadians will receive no help. The recommendations will not benefit those aged 65 and over who are now retired and receive no income under the Canada/Quebec Pension Plan. They leave out those who are not wage earners and others who do not work for pay and who at age 65 will therefore not be eligible for income under the Canada/Quebec Pension Plan except for spouses who share in pension entitlements. Obviously, an expanded public pension program cannot help those people who do not qualify for public pensions.

There is another group that is a source of special concern, those in the age bracket 60 to 64 who are in need and have no entitlement under the Canada/Quebec Pension Plan. The public pension system is not geared to assist deprived people in this category. Your Committee has been deeply concerned about the plight of these people and would like urgently to call the attention of the appropriate authorities to the misfortunes that sometimes occur to people before they are eligible for the help that is available at 65.

The solution for those who are ineligible for pensions for one reason or another can only come through expanded welfare assistance. There is no alternative. Therefore, your Committee believes that, at the same time as the public pension program is expanded, the various welfare programs such as the General Income Supplement, provincial supplements, and tax credits should be re-examined. The expansion of the public pension program will reduce the future number of retired people who will require welfare. This reduction in welfare recipients will make available resources that could be used to improve the level of assistance for those retired and in need.

3. The Need for Action

In the early discussion of demographic trends, it emerged that roughly twenty-five years remained before the Canadian population 65 and over will begin a meteoric rise. The demographic changes will bring in their wake social upheavals with great potential for discontent and distress. It may seem that twenty-five years is long enough and that a leisurely approach to the problems of adjustment is appropriate. Nothing is further from the truth. The testimony presented to your Committee by a variety of experts made it evident that time is of the essence and that putting off action makes the resolution of the issues increasingly difficult to manage. There is a time that is ripe in all affairs and that time has come. The basic reason is that it takes many years for pension systems to mature or for major changes to make their effects felt. This is not the sole reason; there are pressing social problems that demand immediate attention, especially those affecting elderly women. It is no use telling poor people that their problems will be resolved in the long run when they live in poverty one day at a time.

There is one article of faith, however, which has a bearing on the poor and the elderly. This is that pensions are better than welfare. Those who have contributed to a pension scheme for many years will find that they are able to demand their pension rights when the time comes and whether there is a welcome mat or not is of no consequence. This may not always be true of welfare income; there may be hurdles to overcome. Above all some damage may be done to the human spirit. A different strategy is essential as the nineteenth century recedes further and further into history.

It is undeniable that a number of the proposals of this report are very complex. Nevertheless, it is fervently to be hoped that endless rounds of discussion and negotiation will not be necessary before action is forthcoming. The problems dealt with in this report loom larger all the time.

The number of elderly people will increase and, more and more people of all ages will have to deal with the social issues that result. A helpful and compassionate approach is needed but this will only come with public appreciation of the twin problems of retirement and income. Your Committee believes that the subject of this report is a major social issue just as important as Old Age Security and Medicare. It is earnestly hoped that this report will contribute to the understanding of the Canadian people and, in particular, their essential role in building a social structure that will be the envy of the western world.

Appendix A

Members of the Special Senate Committee on Retirement Age Policies

Senators Adams*
Anderson (appointed November 30, 1978)
Bell*
Benidickson*
Bird (appointed November 1, 1978)
Bosa*
Buckwold*
Cameron* (replaced October 19, 1978)
Cottreau*
Croll* (Chairman)
Deschatelets*
Eudes*
Fournier (Madawaska-Restigouche) (Vice Chairman)
Fournier (Restigouche-Gloucester) (appointed February 9, 1978)
Greene* (deceased)
Haidasz (appointed October 19, 1978)
Inman*
Lucier*
McNamara* (replaced February 9, 1978)
Norrie (appointed November 28, 1978)
Phillips*
Quart*
Rowe*
Steuart*
Williams*

* Those senators marked with an asterisk were appointed December 14, 1977.

Appendix B

Hearings held by the Special Senate Committee on Retirement Age Policies

Date	Organization	Witnesses
October 25, 1978	Election of officers *(in camera)*	
October 31, 1978	Research Branch, Library of Parliament *(in camera)*	Mr. J. Grant Purves Mr. Norman Willans Mr. Jeffrey Lawrence Mr. W. Miller Mr. John E.S. Graham Mrs. Barbara Reynolds
November 2, 1978	Research Branch, Library of Parliament *(in camera)*	Mr. André Morin Mr. Dennis Stang Mr. J. Marshall Mr. J. Grant Purves Mrs. Barbara Reynolds
November 7, 1978	Research Branch, Library of Parliament *(in camera)*	Mr. Frank Klassen Mr. William Neil Mr. W. Miller
November 9, 1978	Research Branch, Library of Parliament *(in camera)*	Miss Linda Welling Miss Valerie Clements Mrs. Barbara Reynolds Mr. H.G. Belleau
November 14, 1978	Canadian Life Insurance Association	Mr. D.W. Pretty Mr. C.C. Black Mr. F.W. Speed Mr. R.G. McKnight
	Department of National Defence	Lieutenant-General J.C. Smith Dr. John E. Mayhood
November 16, 1978	Council of Canadian Personnel Associations	Mr. Robert B. Totten Mr. G. Clark Mitchell Mr. W.R. Spring
	Public Service Commission	Mr. E. Gallant Mr. Tom Morry Mr. S. Wightman Mr. G. Bloodworth
November 21, 1978		Mr. Walter Turnbull
	Canada Employment	Mr. H.L. Voisey

	and Immigration Commission	Mr. J. Whitford
November 23, 1978	Canadian Medical Association	Dr. John Bennett Dr. Robert Gourdeau Mr. D.A. Geekie Dr. C.I. Gryfe Dr. R.G. Wilson
	Canadian Teachers' Federation	Mr. Leo Duguay Mrs. Geraldine Gilliss Mr. Ross Andrew Mr. Russell Mosher
November 28, 1978	Association of Canadian Pension Management	Mr. Peter A. Dennis Mr. John Furguson
November 30, 1978	Statistics Canada	Dr. Peter Kirkham Dr. L.O. Stone Mr. E. Hanes
December 5, 1978	Canadian Psychiatric Association	Dr. Colin M. Smith
	National Union of Students	Miss Morna Ballantyne
December 7, 1978	Royal Bank of Canada	Mr. W. Earle McLaughlin Mr. A.H. MacKenzie Mr. R.V. Warrilow
	Canadian Association on Gerontology	Dr. Leon F. Koyl Betty Havens Dr. Claude Paradis
December 12, 1978	Canadian Institute of Actuaries	Mr. T.R. Suttie Mr. D.R. Anderson Mr. R.T. Giesinger Mr. R.M. Walker
	Canadian Pension Conference	Mr. Donald Landreville Mr. Robert G. Camp
December 14, 1978	Department of National Health and Welfare	Hon. Monique Bégin Mr. Bruce Rawson Mr. John Osborne Mr. Brian Powell
	Canadian Human Rights Commission	Mr. Gordon Fairweather Mrs. Rita Cadieux Martha Hynna Mr. George Cook Mr. Paul Mercier Ann Steeves

January 23, 1979	Canadian Council on Social Development	Mr. Pierre Bourdon Mr. David Ross Mr. Geoff Norquay
January 25, 1979	Association of Universities & Colleges of Canada	Dr. Lloyd Barber Dr. Claude Thibault Dr. Ken Clements
	Confederation of National Trade Unions	Mr. Leopold Beaulieu Mr. Vincent Dagenais Mr. Michel Rioux
January 30, 1979	Canadian Federation of Independent Business	Mr. Daniel Horigan
	Institute for Research on Public Policy	Dr. David Hoffman Dr. Mark Laplante Mrs. Nicole Schwartz-Morgan
February 1, 1979	Rockwell International of Canada Limited	Mr. A.J. Harkness Mr. Dan Heslin Mr. Leo Pygiel
	Ottawa Senior Citizens' Council	Mrs. Marjorie Mann Gertrude Lemire Mr. Al Hoey Rev. Robert McEthinney Mrs. Ethel Wilson
February 6, 1979	Canadian Manufacturers' Association and Canadian Chamber of Commerce	Mr. D.I.W. Braide Mr. David A. Nield Mr. Kenneth Hallsworth Mr. L.E. Coward
	University of Toronto	Professor James E. Pesando Professor Samuel A. Rea, Jr.
February 8, 1979	The Council on Aging	Rev. Maurice Dessault Mr. Lorne Smith Margery Boyce
	Canadian Association of University Teachers	Dr. Donald C. Savage Dr. Ronald Bercov Dr. Robert Léger Mr. Ronald Levesque
February 13, 1979	Amoco Canada	Mr. N.J. Stewart

	Petroleum Company Ltd.	Mr. Ronald Sedlack Mr. Bruce E. Lounds
	George Weston Limited	Mr. Kenneth H. Smith
February 15, 1979	Canadian Pensioners Concerned Incorporated	Mrs. Corabel Penfold Mr. John Storey
	Federal Superannuates National Association	Mr. L.W.C.S. Barnes Mr. F.W. Whitehouse Mr. J.E.G. Seguin
February 20, 1979	Canadian National	Mr. K.E. Hunt Mr. F.T. Aubé Mr. G.W. Lange
	Michelin Tires of Canada Ltd.	Mr. G.L. Grebeldinger
February 22, 1979	None *(in camera)*	None
February 27, 1979	Kellogg Salada Canada Inc.	Mr. J.W. Sinclair Mr. G. Malis Mr. R.W.J. Stadelbauer
	Ontario Professional Fire Fighters Association	Mr. P.J. De Fazio Mr. Edwin Hothersall Mr. Elliot Hastings Mr. Robert Crothers
	Warner Lambert Canada Limited	Mr. Lew Wiffen Mrs. Alla Bil
March 1, 1979	Canadian Association of Social Workers	Professor Albert Rose Mr. Byron Gero
March 6, 1979	Canadian Railways Employees' Pension Association	Mr. J. Earl White Mr. A.T. Levangie Mr. J.G. Montpetit Miss C.S. Wishart
	Sherritt Gordon Mines Limited	Mr. A.R. Weir Mr. E.C. Knight
March 8, 1979	None *(in camera)*	None
March 13, 1979	Government of Prince Edward Island	Mr. L.W. Brammer
	Maritime Telegraph and Telephone Company	Mr. W. Struan Robertson
March 15, 1979	Department of National Health and Welfare	Mr. Pierre Fortier, Chief, Program Policy, CPP

	(in camera)	Mr. Ray Kemp, Director, Claims and Benefits, CPP
March 20, 1979	Government of Nova Scotia	Dr. John Wickwire
	Canadian Advisory Council on the Status of Women	Sue Findlay Julyan Reid Marie-Helene Boyle

In addition to the testimony presented in open and closed sessions of the Committee, the following companies, organizations and individuals submitted briefs or other material to the Committee:

Ontario Hydro; Canada Packers Limited; Canadian Imperial Bank of Commerce; Sydney Pensioners Club; Age & Opportunity Centre, Inc. (Winnipeg); Senior Alumni Committee of the University of Toronto; Prof. C.L. Chakrabarti, Carleton University; Mobil Oil Canada Ltd.; Canadian Armed Forces Pensioners' Committee; Canadian Federation of Business and Professional Women's Clubs; Government of Newfoundland and Labrador; Government of Manitoba; National Council of Women of Canada; Sir Sanford Fleming College (Peterborough, Ontario); Alberta Council on Aging; Employers' Council of British Columbia.

Appendix C

Extracts from the Provincial Human Rights Statutes

Alberta: The Individual's Rights Protection Act. S.A. 1972 c.2
S.6(1): No employer or person acting on behalf of an employer shall
(a) refuse to employ or to continue to employ any person or
(b) discriminate against any person with regard to employment or any term or condition of employment,
because of the . . . age . . . of that person or of any other person.
(2): The provisions of Subsection (1) relating to age . . . shall not affect the operation of any bona fide retirement group or employee insurance plan.
(3): Subsection (1) does not apply with respect to a refusal, limitation, specification or preference based on a bona fide occupational qualification.
S.28: In this Act,
(a) "age" mans any age of 45 years or more and less than 65 years.
British Columbia: Human Rights Code of British Columbia S.B.C. 1973 (2d sess.) c. 119
S.1: In this Act, unless the context otherwise requires, "age" means any age of 45 years or more and less than 65 years.
S.8(1): Every person has the right of equality of opportunity based upon bona fide qualifications in respect of his occupation or employment or in respect of an intended occupation, employment, advancement, or promotion; and, without limiting the generality of the foregoing
(a) no employer shall refuse to employ, or to continue to employ or to advance or promote that person, or discriminate against that person in respect of employment or a condition of employment; and
(b) no employment agency shall refuse to refer him for employment, unless reasonable cause exists for such refusal or discrimination.
(2): For the purposes of Subsection (1),
(a) the . . . age . . . of any person or class of persons shall not constitute reasonable cause.
(3): No provision of this section relating to age shall prohibit the operation of any term of a bona fide retirement, superannuation, or pension plan, or the terms or conditions of any bona fide group or employee insurance plan, or of any bona fide scheme based upon seniority.
Manitoba: Human Rights Act S.M. 1974 c. 65
S.6(1): Every person has the right of equality of opportunity based upon bona fide qualifications in respect of his occupation or employment or in respect of training for employment or in respect of an intended occupation, employment, advancement, or promotion, and in respect of his

membership or intended membership in a trade union, employers' organization, or occupational association; and, without limiting the generality of the foregoing

(a) no employer or person acting on behalf of an employer, shall refuse to employ, or to continue to employ or to train the person for employment or to advance or promote that person or discriminate against that person in respect of employment or any term or condition of employment

(b) no employment agency shall refuse to refer a person for employment or for training for employment and

(c) no trade union, employers' organization or occupational association shall refuse membership to expel, suspend, or otherwise discriminate against that person; or negotiate, on behalf of that person, an agreement that would discriminate against him;

because of the . . . age . . . of that person.

S.6(6): The provisions of this section relating to any discrimination, limitation, specification or preference for a position or employment based on . . . age . . . do not apply where . . . age . . . is a reasonable occupational qualification and requirement for the position or employment.

S.7(2): No provision of Section 6 shall prohibit a distinction on the basis of age . . .

(a) of any employee benefit plan or in any contract which provides an employee benefit plan, if the Commission is satisfied on the basis of the guidelines set out in the regulations that the distinction is not discriminatory or that the employee benefit can be provided only if the distinction is permitted; or

(b) in any contract which provides life insurance, accident and sickness insurance or a life annuity to a specified person where the contract is not part of an employee benefit plan, if the Commission is satisfied on the basis of guidelines set out in the regulations that the distinction is not discriminatory or that the insurance or annuity can be provided only if the distinction is permitted.

NOTE: No regulations respecting guidelines have been made.

New Brunswick: Human Rights Code R.S.N.B. 1973 c.H-11

S.2: In this Act, "age" means 19 years of age or over.

S.3(1): No employer, employers' organization, or other person acting on behalf of an employer shall

(a) refuse to employ or continue to employ any person or

(b) discriminate against any person in respect of employment or any term or condition of employment

because of age . . .

S.3(5): Notwithstanding Subsections (1), (2), (3) and (4) a limitation, specification, or preference on the basis of . . . age . . . shall be permitted if such limitation, specification or preference is based upon a bona fide occupational qualification as determined by the Commission.

S.3(6): The provisions of Subsections (1) . . . do not apply to

(a) the termination of employment or a refusal to employ because of

the terms and conditions of any bona fide retirement or pension plan;
(b) the operation of the terms or conditions of any bona fide retirement or pension plan that have the effect of a minimum service requirement; or
(c) the operation of terms or conditions of any bona fide group or employee insurance plan.

Newfoundland: Newfoundland Human Rights Code R.S.N. 1970 c. 262
S.9(1): No employer or person acting on behalf of an employer, shall refuse to employ or to continue to employ or otherwise discriminate against any person in regard to employment or any term or condition of employment because of . . .
(b) subject to Subsection (5) that person's age, if that person has attained the age of 19 years and has not attained the age of 65 years, but this Subsection does not apply to the expression of a limitation, specification or preference based on a bona fide occupational qualification.
S.9(5): The provisions of Subsections (1) . . . as to age shall not apply to
(a) termination of employment because of the terms or conditions of any bona fide retirement or pension plan
(b) operation of the terms or conditions of any bona fide retirement or pension plan which have the effect of a minimum service requirement or
(c) operation of the terms or conditions of any bona fide group or employee insurance plan.

Nova Scotia: Human Rights Act S.N.S. 1969 c.11
S.11B(1): No person or agency included in Sections 8, 9, 10 and 11 shall discriminate against an individual because of
(a) the age of the individual if the individual has attained the age of 45 years and has not attained the age of 65 years.
S.11B(3): The operation of any bona fide retirement or pension plan or the terms or conditions of any bona fide group or employee insurance plan shall not be affected by this Section insofar as it relates to age.
S.8(1): No person shall refuse to employ or to continue to employ or otherwise discriminate against any individual in regard to employment or any term or condition of employment because of the individual's race, religion . . . [1]

Ontario: Ontario Human Rights Code R.S.O. 1970 c. 318
S.4(1): No person shall
(b) dismiss or refuse to employ or to continue to employ any person
(g) discriminate against any employee with regard to any term or condition of employment,
because of the . . . age . . . of such person or employee.
S.4(6): The provisions of this Section relating to any discrimination,

[1] The Nova Scotia Statute extends by Section 11 the prohibition on discrimination in employment on various grounds contained in Section 8 to include a prohibition on the basis of age.

limitation, specification or preference for a position or employment based on age . . . do not apply where age . . . is a bona fide occupational qualification and requirement for the position or employment.

S.4(9): Clause g of Subsection 1 does not apply to any bona fide superannuation or pension fund or plan or any bona fide insurance plan that provides life, income, disability, sickness, medical or hospital payments or benefits of a monetary kind to which an employee, his survivors or dependants are or may be entitled that differentiates or makes a distinction, exclusion, or preference between employees or any class or classes of employees because of age, sex, or marital status.

S.19: In this Act,

(a) "age" means any age of 40 years or more and less than 65 years.

Prince Edward Island: Human Rights Act S.P.E.I. 1975 c.72

S.6(1): No person shall refuse to employ or to continue to employ any individual on a discriminatory basis or discriminate in any term or condition of employment.

S.11(1): No person or agency included in Sections 6, 7, 8, 9, and 10 shall discriminate against an individual because of

(a) the age of the individual if the individual has attained the age of 18 years and has not attained the age of 65 years.

S.11(3): The operation of any bona fide retirement or pension plan or the terms or conditions of any bona fide group or employee insurance plan shall not be affected by this Section insofar as it relates to age or physical handicap.

S.14(1): Sections 2 to 13 do not apply

(d) to a refusal, limitation, specification, or preference based on a bona fide qualification.

Notes

Introduction

[1] *The Collected Writings of John Maynard Keynes*, vol. 9 (London: Macmillan & Co., 1972), p. 327.

[2] It might be noted in passing that some actuaries have in recent years tended to become more oracular in their pronouncements in contrast to the days when they were primarily technicians with highly specialized skills. One should also be mindful of Keynes' remark, "If economists could manage to get themselves thought of as humble, competent people, on a level with dentists, that would be splendid".

[3] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 16, February 8, 1979, p. 16A:48.

[4] The provision is contained in Information Circular No. 72-13R5, February 2, 1979.

[5] Canada, Statistics Canada, *Pension Plans in Canada*, 1976, Catalogue 74-401 Biennial. The main reason for the difference is that part-time workers are not usually included in pension plans.

[6] Brian J. Powell and James K. Martin, "Economic Implications of an Aging Society in Canada," a paper prepared for the National Symposium on Aging, Ottawa, October 25-27, 1978.

[7] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 4, November 23, 1978, p. 4:9.

[8] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 7, December 5, 1978, p. 7:11.

Part I: Retirement

[1] Wilbur J. Cohen, *Retirement Policies under Social Security* (Berkely and Los Angeles: University of California Press, 1957), p.17.

[2] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings,* Issue No. 4, November 23, 1978, p. 4:8.

[3] U.S. Congress, Senate, Committee on Human Resources, *Report No. 95-493 on H.R. 5383,* October 12, 1977.

[4] Canada, Senate, Special Committee on Retirement Age Policies, *Proceedings,* Issue No. 4, November 23, 1978, p. 4:7.

[5] N.B. Brown, "Mandatory Retirement", *Editorial Research Reports,* vol. 11, No. 18, November 11, 1977, pp. 851-67.

[6] Tony Lamb and Dave Duffy, *The Retirement Threat* (Los Angeles: J.P. Tarcher, 1977), p. 90.

[7] U.S. Congress, House of Representatives, Select Committee on Aging, Statement of Bankers Life & Casualty Company, March 16, 1977.

[8] Saskatchewan Human Rights Commission: *Report and Summary of Activities, April 1, 1975 to March 31, 1977,* p. 3. *Un défi de justice pour tous* (First Annual Report of the Quebec Human Rights Commission) (Editeur Officiel du Québec, 1976) p. 21.

[9] Re Burns and United Association of Journeymen of the Plumbing and Pipefitting Industry, Local 170 et al. 82 DLR(3d) 488.

[10] *The Globe and Mail,* September 21, 1979.

[11] Ontario Human Rights Code, R.S.O. 1970 c. 318.

[12] In the Mater of the Complaint by Mrs. Geneva MacKay against the Dominion Fruit Division of Westfair Foods Ltd., Edmonton, Alberta. Decision of the Board of Inquiry dated January 9, 1974 (Alberta).

[13] In the Matter of the Complaint of Peter Derksen against Flyer Industries. Decision of the Board of Adjudication dated June 2, 1977 (Manitoba). It must be noted that this decision was made under the terms of the former exemption, repealed in 1976. The former exemption was of general wording similar to that in effect in other provinces:

> "No provision of Section 6 or of this section relating to age prohibits the operation of any term of a bona fide retirement, superannuation or pension plan, or the terms or conditions of any bona fide group or employee insurance plan or of any bona fide scheme based upon seniority."

[14] The Human Rights Commission of New Brunswick refuses mandatory retirement cases when a retirement plan is in operation.

[15] In the Matter of the Complaint of Thomas Leonard Hadley.

[16] In the Matter of the Complaint of Mrs. Geneva MacKay.

[17] In the Matter of the Complaint of Peter Derksen.

[18] Letter dated June 1, 1978 from Karen Taylor, Human Rights Officer, New Brunswick Human Rights Commission.

[19] Re Burns and United Association of Journeymen of the Plumbing and Pipefitting Industry, Local 170 et al. 82 DLR (3d) 488.

[20] *Labor Law Reports*, Report 40, Issue No. 809, April 6, 1978, Chicago Commerce Clearing House, Inc., p.9.

[21] U.S., Congress, House, *Congressional Record*, H9348, September 13, 1977.

[22] Among the groups expressing support for the abolition of mandatory retirement in the federal civil service or more generally were the National Association of Retired Federal Employees, the American Federation of Government Employees, the American Association of Retired Persons, National Retired Teachers Association, the National Council of Senior Citizens, the National Council of the Aging, the Gray Panthers, the American Civil Liberties Union and the American Personnel & Guidance Association.

[23] Quoted in *Fortune*, May 8, 1978.

[24] There had been differing views in the lower courts but the decision of the Supreme Court in *McMann v. United Air Lines*, 98 S. Ct.244(1977), had been interpreted as permitting mandatory retirement at the age specified in a pension plan.

[25] The conference report was passed by the Senate 62-10 with 28 not voting. In the House of Representatives the vote was 391-6 with 37 not voting.

[26] *Congressional Digest*, November, 1977, v. 56, p.270.

[27] Irwin Ross, "Retirement at Seventy; a new Trauma for Management", *Fortune*, May 8, 1978, p. 106.

[28] Human Rights Code of British Columbia, S.B.C. 1973 (2d sess.), c. 119.

Part II: Demographic Trends

[1] *Retirement Age*, a background paper submitted to the Special Senate Committee on Retirement Age Policies by the Department of National Health and Welfare, December 14, 1978, p. 15. Hereafter cited as Health and Welfare Canada, *Retirement Age*.

[2] United Nations Department of Economic and Social Affairs *World Population Prospects As Assessed in 1973*, Population Studies Number 60, (New York: United Nations, 1977).

[3] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 6, November 30, 1978, p. 6A:29.

[4] Dr. L.O. Stone, Senior Advisor, Population Studies and Statistics, Statistics Canada, pointed out that at present Canada has a total fertility rate of 1.8. It is possible to get down to 1.2 or up to 3.7 by the late 1990s. As a rough rule of thumb a fertility rate of 2.1 has been considered necessary to maintain the level of population. However, the level of population depends also on mortality rates and the net immigration rates which can change drastically. All these factors need to be considered to predict future population levels. At present the immigration rate is approximately 100,000, which, allowing for emigration comes to a net immigration of approximately 20,000 to 60,000 annually.

[5] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 6, November 20, 1978, p.6:35.

[6] Senator Jacob K. Javits, United States Senate, 95th Congress, 1st Session, Calendar No. 451, Report No. 95-493, October 12, 1977, p. 32.

Part III: The Income of the Elderly

[1] The terminology differs slightly under the Quebec Pension Plan but the concept is the same.

[2] There are some complicated rules to deal with periods of low earnings or no earnings and provision is made for substituting pensionable earnings between the ages of 65 and 70 for periods of abnormally low earnings.

[3] There is no intention of interfering with the provisions of the Canada/Quebec Pension Plan relating to contributions between the ages of 65 and 70.

[4] Canada, Statistics Canada, *Pension Plans in Canada*, 1976, Catalogue 74-401 Biennial, 1978.

[5] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 6, November 30, 1978, p. 6:12.

[6] These data are based on the Survey of Consumer Finances carried out by Statistics Canada in 1972 and 1976. For further details see Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 10, November 14, 1978, p. 10A:12.

[7] This estimate is attributed to Mr. Brian Herbinson of Towers, Perrin, Forster & Crosby, *The Globe and Mail*, May 16, 1979.

[8] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 13, January 30, 1979, p.13:9.

[9] In some cases there are industry-wide pension schemes and an individual can move among various employers without impairing his pension status.

[10] J.E. Pesando and S.A. Rea, Jr., *Public and Private Pensions in Canada: an Economic Analysis* (Toronto and Buffalo: University of Toronto Press, 1977), p.20.

[11] There is a discussion of this question with examples in *The Second Report of the Ontario Committee on Portable Pensions*, August, 1961, pp.62-3.

[12] Joan C. Brown, *How Much Choice? Retirement Policies in Canada*, 3rd ed. (Ottawa: Canadian Council on Social Development, 1975), p.167.

[13] Ibid.

[14] Canada, Statistics Canada, *Income Distributions by Size in Canada, 1977*, Catalogue 13-206 Annual.

[15] Donald M. Caskie, *Canadian Fact Book on Poverty 1979* (Ottawa: Canadian Council on Social Development, 1979), pp.8-10.

[16] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 10, December 14, 1978, p. 10:8.

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[2] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings,* Issue No. 20, February 27, 1979, pp. 20A:8 ff.

[3] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings,* Issue No. 15, February 6, 1979, p. 15:28.

[4] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings,* Issue No. 18, February 15, 1979, pp. 18A:7-8.

[5] J.E. Pesando and S.A. Rea, Jr., *Public and Private Pensions in Canada: an Economic Analysis* (Toronto and Buffalo: University of Toronto Press, 1977), p. 128.

[6] Robert C. Dowsett, "Do Private Pensions Still Have A Role?" *Canadian Business Review,* vol. 6, No. 1, (Spring, 1979).

[7] *The Globe and Mail,* June 7, 1979.

[8] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings,* Issue No. 19, February 20, 1979, p. 19A:25.

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[1] Canada, Statistics Canada, *Income Distribution by Size in Canada*, 1977.

[2] Canada, Statistics Canada, *Labour Force*, Catalogue No.71-001, December, 1977.

[3] Canada, Statistics Canada, *Labour Force Annual Averages*, 1975-1978, Catalogue No. 71-529.

[4] National Council of Welfare, *Women and Poverty*, October, 1979.

[5] Canada, Health and Welfare Canada, *The Incomes of Elderly Canadians in 1975* Research Report No. 06, Table 19, February, 1979.

[6] Canada, Statistics Canada, *Survey of Consumer Finances*, (unpublished data) 1978.

[7] Canada, Statistics Canada, *Pension Plans in Canada* 1976, Catalogue No. 74-401 Biennial, 1978.

[8] Canada, Statistics Canada, *Labour Force*, Catalogue No. 71-001, June, 1979.

[9] Economic Council of Canada, *People and Jobs* (Ottawa: Information Canada, 1976), Table D8.

[10] Canada, Statistics Canada, *Pension Plans in Canada* 1976, Catalogue No. 74-401 Biennial, 1978.

[11] Canada, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 6, November 30, 1978, p.6:31.

[12] Canada, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 6, November 30, 1978, Appendix "6A".

[13] Health and Welfare Canada, *Statistical Bulletin*, vol. II, (March 1979).

[14] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 10, December 14, 1978, p.10:31.

[15] Ontario, The Family Law Reform Act, S.O.1978; Alberta, The Matrimonial Property Law Act, S.A. 1978; Manitoba, The Marital Property Act, S.M.1978; Prince Edward Island, The Family Law Reform Act, 1978, A.P.E.I.; British Columbia, The Family Relations Act, S.B.C.1978.

[16] See S.B.C., 1978, c.20, s.45(1)(d). Family assets here are to include "a right of a spouse under an annuity, or pension, home ownership, or retirement savings plan."

[17] See S.M., 1978, s.1(b) and s. 12.

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[1] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 10, December 14, 1978, p. 10A:13.

[2] *Old Age Pension Schemes* (Paris: Organisation for Economic Co-operation and Development, 1977), p. 172.

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[1] *Old Age Pension Schemes* (Paris: Organisation for Economic Co-operation and Development, 1977), pp. 161-2.

[2] A more detailed examination of homemaker services in Canada is contained in *Visiting Homemaker Services in Canada, Report of a Survey with Recommendations* (Ottawa: Canadian Council on Social Development, 1971).

[3] Robert N. Butler, *Why Survive? Being Old in America* (New York: Harper & Row, 1975), p. 402.

[4] *Options for Growth* (Ottawa: Economic Council of Canada, 1975), Chapter 6.

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[3] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No. 3, November 21, 1978, pp. 3:27-8.

[4] Ibid.

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[6] United States, The Comprehensive Employment and Training Act (CETA), *Public Law 92-203*, December 28, 1973.

[7] United States, House Select Committee on Aging, Hearings — *Funding of Federal Programs Benefitting Older Persons (Employment)*, June 2, 8, and 9, 1976.

[8] Canada, Senate, Special Senate Committee on Retirement Age Policies, *Proceedings*, Issue No.5, November 28, 1978, p. 5:7.